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*Year Book of College Debating*

# INTERCOLLEGIATE DEBATES

*edited by*

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VOLUME XVIII

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## EDITOR'S FOREWORD

FOLLOWING the custom begun with the first volume of this series, the editor ventures a few remarks by way of introduction to the present collection of debates. In a series as extended as this one, the general purposes become fairly well established and understood by those persons who have occasion from year to year to examine or make use of these collections of college debates. However, for those new to such a collection it might be in order to reiterate that the main purpose from year to year has been to establish an annual record of college debating. The more representative and important subjects discussed each year are included as far as is possible, and an attempt is made to draw the debates included from as many sections of the country as can conveniently be represented. No one volume can be entirely successful from both points of view. At times, certain sections of the country are omitted and other sections over-represented because the more important subjects for debate and the better discussions are submitted from one or two sections. Taking the series, however, year in and year out, a fairly good distribution is achieved.

It is, of course, not possible in certain years to include in nine or ten debates all of the important subjects discussed. In other years, it is difficult to find as many as nine or ten important subjects in college de-

bating not previously covered in part or completely in previous annual volumes. The prevalence of national subjects chosen by large debating organizations cuts down the number of subjects discussed and increases the number of debates on the same proposition. The debate season of 1936-37 happens to be one in which there were more than the usual number of subjects of commanding interest discussed. For that reason, not all of them could be included in this particular volume. Some of them, for instance, the discussion of the unicameral Legislature, which will be of interest next season because it has been chosen as the new National High School Subject, have been presented in previous collections.

It is difficult sometimes in the annual volume to achieve a proper balance between new debate subjects and repeaters or subjects which hold over for more than one or two seasons and appear in the series more than once. An example of this type of debate is that on Governmental Ownership and Operation of Electric Utilities, which appeared last year, and also the Supreme Court subject, which, after being widely debated last season, was re-injected into this year's college debate season by the action of President Franklin Delano Roosevelt when he submitted his plan for re-organizing the federal judiciary. In addition to including the repeaters and old stand-by subjects, the editor must be on the lookout for new subjects entering the debating world for the first time. Some of these will become of first rate importance, and others will pass quickly into oblivion; some will be of economic and social signifi-

cance, others will be theoretical and academic; some will be popular and widely discussed, others obscure and little noticed. A faithful representation of a debate season, in such a volume as this, must inevitably include some subjects not inherently important or significant for any great length of time. Examples of new subjects of this type in this volume are: Consumers' Co-operatives, Crop Insurance and Balancing the Federal Budget. The latter, of course, may become extremely important, and may, like one of the other new subjects, the CIO argument, remain with us for awhile.

Other debates that often appear in the series are not entirely new but are on varied statements of older debate subjects appearing in somewhat new form and with new evidence and new treatment. Such a subject in this volume is Government Ownership of Commercial Banking, phases of the banking question having appeared in several previous volumes. Occasionally, also, an old subject appears for the first time in the series, having been neglected for more important discussions on other subjects or not having been submitted earlier. Such a debate in this volume is the one on the St. Lawrence Waterway.

One other concern of the editor is to vary the types of debate included, as this practice shows the changes, the developments and the variety present in the debate world during the season and over many seasons, and is of considerable interest to those who follow the trends in intercollegiate discussion. The present volume contains debates by teams of two and three members and, in the case of one radio example, of one speaker on a

side. There are debates of the time honored standard university style, cross question debates, forum discussions, and radio half-hours, and one debate presents a judge's decision. The debating world, itself, presents perhaps much more variety than can be represented here. For a number of years debaters have been busy inventing new forms of debate and improvising new and varied ways of using the old forms. A glance through several volumes of this series will serve to show the steady procession of debate's many manifestations.

One following college debating over a long period of years would probably be most struck by the departure from the old, closely-knit and carefully-planned arguments to the informal, extempore, refutation-filled constructive speeches of present day debating. This change is perhaps much more important than changes in kinds and forms of debate. Nowadays, less attention is paid to style and rhetoric, and more to practical discussion of the issues arising in the debate. There is more clash and less dodging of argument than in the debating of a decade or more ago. This goal was achieved, perhaps, mostly through the insistence of Speech teachers and coaches who wished the emphasis in intercollegiate debating to be placed upon practical and efficient extemporaneous speaking rather than upon strategy and studied argument written out and committed to memory to enhance the force and power of delivery.

For the reason that emphasis has been placed upon extempore work, college debates often do not read as well as debates of several years ago which were more carefully and studiously prepared. This does not mean

that debaters have become less efficient in recent years. Extempore training has undoubtedly made them more efficient in rough and tumble debating—that is, in refutation and rebuttal debating rather than expository and informative debating in which a well prepared essay is presented regardless of the objections to the material used and the refutations that arise. Undoubtedly, better speaking is done in present day debating, and more efficient refutation work is done, although it is doubtful if as good writing is presented in modern debating.

The increase in important and significant subjects for college debate during this college generation is perhaps due to the many issues arising in the New Deal. College debaters have fortunately had a very fine array of pre-views in the last five or six years. In 1932, the national subject was Control of Industry, which was, in fact, a pre-discussion of what came to be known as the NRA. Next, just before the wholesale failure of European countries to pay the War Debts, college debaters discussed this perplexing situation and gained an insight into the motives and reasons behind the debt debacle. Following that season, they discussed the Powers of the President of the United States, getting a very fine opportunity to examine the various methods and plans of centralization of power in the federal executive which is today commanding attention on every hand. The next year the discussion of Arms and Munitions introduced them to the problems of industry's relation to war and the difficulties of the neutrality proposition. Then came a study of the relationship of the Supreme Court to the American system of

government. This present year was devoted to a study of the plan for federal control of wages and hours in industry. In every case, some decisive action or some congressional discussion has followed almost immediately the college debaters' study of these problems. College debating has thus furnished many college students a preliminary education in national problems that has been very valuable. College student meetings in the form of legislatures and congresses have enabled the debaters to try their hands at phrasing and passing legislation—a very practical method of preparing for future duties as citizens and a very practical way of making use of the ideas and the knowledge gained in debating.

It is significant that, at the end of some of these interstate and nation-wide gatherings and discussions, the majority opinion of debaters has been ascertained once or twice. Notably in one case, the student opinion after a season of discussion of the Supreme Court problem, upheld the institution of judicial review in about the same proportions that the Senate Committee on the Judiciary passed on the President's plan for re-organizing the judicial system.

The sudden injection of the President's plan to re-organize the Supreme Court into the middle of the college debate season, found the debaters prepared for immediate discussion of it with a background of the previous year's study of other plans for curbing the power of the Supreme Court. This made possible a great many debates before service clubs, forums,

granges and public discussion groups during the past debate season that otherwise could not have been held.

The national subject of the past year—minimum wages and maximum hours—has had nation-wide discussion among college students and has prepared them for the issue now before Congress. It is significant that in handling it in debate, many Affirmatives have refused the burden of defending a national law such as is now under consideration, and have sought to limit the meaning of minimum wage to relief of the oppressed worker. Interpreted to mean what the minimum wage has meant in the past in state action, the proposition has seemed more defensible by many debaters. Interpreted to mean something similar to Section 7a of the NIRA, the minimum wage discussion has provoked a fight similar to that which is coming in Congressional halls when this particular legislation gets the right of way. The same thing happened in the college debaters' attitude toward the NIRA plan when discussing the Control of Industry in 1932. Many Affirmatives refused to defend the NRA methods of control and sought other methods which seemed to them more feasible in meeting the situation, notably credit control or financial control over the situation. It is this same sub-current that keeps the attention of the college debater drifting toward the banking problem.

One discussion arose in the last debate season for which the college debaters in general were not prepared, having given much attention for the last few years to political and governmental problems and very little to labor problems—and that was the rise of the

CIO and the issues of the sit-down strike. A debate is included in this volume on this subject. The discussion is most likely to be continued next debate season, as this labor issue is rapidly assuming giant proportions in American life. In case it is chosen as the national subject next year, the college debater will have another magnificent opportunity to pre-view an outstanding problem before it reaches legislative attempts at solution. In case it is not chosen as the national subject, it will be widely used in college debate anyway. A year's study and survey of this important subject will give the college debaters excellent background and preparation to meet the duties of future citizenship. As long as college debaters keep in the forefront of public discussions, they will perform a useful service to themselves and for their various communities in bringing forward the important issues of the day.

The editor is already looking forward to the 1937-38 debate season. In addition to the CIO discussion and the continuance of others such as the banking question and the Supreme Court issue, undoubtedly discussions involving Compulsory Adjudication of Labor Disputes, the Wagner Labor Relations Act, the Federal License and Incorporation of Firms engaged in Interstate Commerce, and the Re-organization of the Federal Judiciary will command attention. If war comes, neutrality will rise to a prominent issue again.

Debaters and coaches interested in having their debates published in future volumes of this series, should

write to the Editor concerning arrangements. Communications will be welcome and will receive careful attention.

EGBERT RAY NICHOLS,  
University of Redlands,  
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GOVERNMENT OWNERSHIP OF  
COMMERCIAL BANKING

*One Hundredth Joint Debate*



## GOVERNMENT OWNERSHIP OF COMMERCIAL BANKING

### *WASHINGTON STATE COLLEGE AFFIRMATIVE VS. WHITMAN COLLEGE NEGATIVE*

On the evening of December 5, 1936, the teams of Washington State College and Whitman College celebrated the one hundredth occasion of their meeting each other on the forensic platform over Radio KUJ at Walla Walla, Washington. These contests had extended over a period of thirty-eight years which is but a few short years less than the entire period of intercollegiate debating in the United States.

The question discussed is no less significant. It is hard to frame a more far-reaching and important subject as it reaches down to the vitals of capitalism and democratic government. Also it is impossible in one brief debate even to suggest all the momentous issues involved. The present debate will serve as an introduction into a mountain of material and issues bound up in this tremendous question.

The statement was as follows: *Resolved: That the Federal Government should own and operate the commercial banking facilities of the United States.*

The speeches were contributed to *Intercollegiate Debates* by Professors W. H. Veatch of Washington State College and John Ackley of Whitman College.

First Affirmative, Anne Montgomery  
Washington State College

MR. CHAIRMAN AND FRIENDS: We are happy to be here today to meet Whitman College in this one-hundredth clash between Whitman College and Washington State College.

The question for debate this afternoon is Resolved: That, the Federal Government should own and operate the commercial banking facilities of the United States.

In analyzing the question, we find most of the terms obvious except one, namely "commercial banking facilities." Quoting the definition from *Standard Banking* by the American Institute of Banking, we find, "The primary function of a commercial bank is to furnish to commerce and individuals the temporary capital required in the production and exchange of goods." Actually 80 per cent of the banking is commercial; so, we won't quibble with our friends of the Negative over the other 20 per cent.

Savings are already under government ownership and operation. Through the Postal Savings Department, the individual has the opportunity of putting his savings into the hands of the government. We of the Affirmative believe that the individual should have the same opportunity with his commercial banking.

Banking is a public problem, not a private one. Private bankers cannot cope with the situation. This is not necessarily the fault of the individual banker but the fact that there should be a public means of control. The Federal Government, at the present time, can engage in some regulation and supervision, but with this meager amount of regulation and supervision, it cannot establish a stable policy. We of the Affirmative believe that we should have a stable and permanent banking structure; therefore, we are advising this policy of government ownership and operation of the commercial banking facilities.

Always in the past we have tried to right situations by attacking results rather than abolishing the causes. For example, the Federal Deposit Insurance Corporation doesn't assure sound banks but says, "We'll expel you from the system if your bank falls below a standard." After the bank is on the rocks, the government steps in to inflict its negative policy. Through this regulation, it cannot get at the root of the evil or provide a stable banking system. Pierre Jay, former Chairman of the Federal Reserve Board of New York, says, "Neither banking laws nor supervision can perform the positive function of assuring sound bank management. At its best it can only perform the negative function of criticizing after steps have been taken." This, in essence, is just what we of the Affirmative are endeavoring to point out to you this afternoon—that the government should have the power to do something more than just put some negative policy into effect.

In observing the banking system straight through history, we see that the government has done nothing toward getting at the root of the evil. The very nature of regulation makes it impossible for the Federal Government to do anything but inflict negative policies. In each of the following cases, which I shall enumerate for you, the government has stepped in for no permanent avail. In 1864, the banking system needed help, the government stepped in and provided for the National Banking System. In 1908, the National Monetary Commission was established. The government passed another negative policy in 1913 when it

created the Federal Reserve Board. The Edge Act was passed in 1920, and some of the later negative policies are the Banking Acts of 1933 and 1935. Since 1864, this system of regulation has necessitated the government's passing these negative policies rather than getting at the root of the evil and providing a permanent and stable banking structure. In summarizing this point, I should like to quote from Frank Graham of Princeton University. Mr. Graham says, "All of our past banking legislation has been weakly defensive against the evils of this system, which, like Topsy, just growed."

We have only to look at the bank failures to see that there is a vital need for a permanent banking system. Quoting from the *Annals of the American Academy of Political and Social Science* for 1934, we find that during the period from 1921 to 1933 there were 11,130 failures among our 30,003 state and national banks. This was an average of 901 per year. Coming down to more recent times, 1935, there were 34 failures. This shows that these negative policies, this government supervision and regulation, is not correcting the evils which exist. May I quote again from the *Annals of the American Academy of Political Science* for 1934 — "There have been more bank failures in the United States than in any other country in the world, even in fairly normal and prosperous times, which indicates that there are some fundamental and organic defects in our banking structure that require correction." As I have pointed out to you, these defects lie in the private owners not being able to cope with a public prob-

lem and the government having the power only to put negative policies into effect.

Before summarizing the case, as we of the Affirmative have presented it to you thus far, I should like to ask the Negative some questions. Do you believe that Federal regulation, as we have now, is adequate? If you do believe it to be adequate, why has it not taken care of the numerous bank failures and general evils of private banking, which I have pointed out to you? Do you think these negative policies sufficient? How, under this system of regulation, can the government get at the root of the evil? Is it fair to the Federal Government to step in after the pie is burned instead of letting them turn off the heat?

Then do you believe the following to be successful or unsuccessful? (1) The Reconstruction Finance Corporation, (2) The Home Owners Loan Corporation, (3) The Federal Credit Administration, (4) The Production Credit Corporation.

We should like our friends of the opposition to answer these questions in their first constructive speech that we may get on a common ground of discussion.

Now as I have shown you, savings are already under government ownership and operation in the Postal Savings Department; we believe the commercial facilities should be under government ownership and operation also. In addition, I pointed out to you that banking is a public problem, not a private one, and should have a public means of control in order to provide a permanent and stable banking system. All the government can do at present and throughout banking

history is to inflict certain negative policies to try to right the situation. Therefore, we see that the private banker cannot provide a stable banking system, the government can't with its meager regulation, and that we must find some way to get at the root of the evil. Evils do exist, since we have more bank failures than any other country in the world. We of the Affirmative believe that in order to get at the root of the evil and in order to provide a permanent and stable banking structure, the government must be able to do something more than just pass negative policies. Surely our friends of the Negative will agree that we should have a stable banking structure. We do not have it now, have not had it in the past; therefore, we of the Affirmative definitely believe that we should have government ownership and operation of the commercial banking facilities of the United States.

First Negative, Marion Klobucher  
Whitman College

MR. CHAIRMAN, WORTHY OPPONENTS, AND FRIENDS: We are glad to welcome the State College of Washington on this occasion of our one-hundredth debate together.

The question as has been stated by the Affirmative is, Resolved: That, the Federal Government should own and operate the commercial banking facilities of the United States.

We find no disagreement with the definition of terms that the Affirmative has advanced. They have pointed

out the functions of the commercial banks which carry on over 80 per cent of the entire banking in the country. In order to point out specifically what we *mean* by commercial banking, we wish to quote from *Money and Banking* by Frederick A. Bradford who, we believe, has made the situation quite clear when he states, "Commercial banks are those banks that receive deposits and make loans." In other words we are concerned with the state and national banks, while savings banks, postal savings, building loans or investment companies are *not* in the class we are considering.

Now before we go any farther we would like to answer the six questions that have just been handed to us by the Affirmative.

First, "Do you believe that the federal regulation, as we have it now, is adequate?" We can answer this one briefly, "No, of course we do not."

Second, "If you do believe it to be adequate, why has it not taken care of the numerous bank failures and general evils of banking which we have pointed out?" As we have stated, we do not believe the system *is* adequate. We probably have the same objection to it as the opposition. It seems impossible to obtain results under the dual system of bank regulation in which some banks are under the supervision of the Federal Government—the national, and likewise those state banks in the Federal Reserve System—while those state banks that do not belong to the Federal Reserve are under the regulation of their respective state laws. There is a division of regulation, which,

naturally results in a certain number of loopholes and inadequacies.

Third, "Do you think these negative policies sufficient?" Again we say definitely, "No."

Fourth, "How, under this system of regulation, can the government get at the root of the evil?" We don't know. It probably can't. But, since we are not defending the present organization of the system, we believe this question can be dropped as irrelevant by both sides.

Fifth, "Is it fair to the Federal Government to step in after the pie is burned instead of letting them turn off the heat?" Well, we're not fond of burnt pie either —another point of similarity in taste.

Last, "Do you believe the Reconstruction Finance Corporation, the Home Owners Loan Corporation, the Federal Credit Administration, and the Production Credit Corporation to be successful or unsuccessful?" As emergency measures, and for the type of thing for which they were framed, we believe them fairly satisfactory.

So here we are. We admit that there are certain definite weaknesses in the present system of banking, centering mainly in the duality of regulative powers. Therefore, that brings the debate to center entirely on the question, "Is government *ownership* the *best* method of eliminating these weaknesses and of providing a good system?"

We of the Negative take the stand that it definitely is not, because the actual record of government ownership, the only concrete evidence upon which we may

base our conclusion, proves it to be impractical and unsuccessful. Furthermore, there is another system which *has* worked and is working successfully which would do away with the evils of the present system without presenting the objectionable features which government ownership and operation present.

Let us look at the actual record of government ownership—the government ownership of different types of business in different parts of the world. Canada offers a good example. Into the National Railway System of Canada the government has sunk around \$4,000,000,000 exclusive of government subsidies. The government admits an operating deficit of \$748,000,000. This is only the direct loss. The total tax paid by this line for 1933 amounted to \$4,000,000. If this system had paid a tax equal to the average sum the privately owned railways pay, the tax would have been more than \$25,000,000.

There are several other governmentally operated lines, the figures for which show similar results. It is estimated that Canada's Dominion debt would be \$1,500,000,000 less than it is if she had kept out of socialized transportation.

At the same time, the privately owned Canadian Pacific is able to pay the same wages, charge the same rates, and pay dividends every year. While the government railroad has increased the national debt around \$1,500,000,000, the Canadian Pacific has returned over \$540,000,000 to its owners and has paid over four times as much taxes.

In Belgium, the people are forced to pay losses of

from 75 to 100 million dollars a year on their government owned railway.

In Switzerland, Sweden, Norway, and Denmark, where the government owns in part or all of their railroads, the average freight rates are almost 300 per cent above the rates here in the United States where the lines are privately owned, and both Norway and Denmark are bearing annual losses on their railroads.

In Australia, under government ownership, the railway rates average 150 per cent more than ours, yet the railroads pay no taxes and the wage scale is from \$450 to \$500 per year lower than ours per individual and even *then* not a railroad is able to meet expenses.

A similar situation existed in Germany before the railroads went back to private enterprise in 1924. In this country the government ran the railroads during the war at a loss on such operation of two to three million dollars a day.

We have quoted these figures from government reports compiled in an article by F. G. R. Gordon in the *National Republic* for December, 1934, and May, 1935.

Now let's look at the electrical industry in this country. According to the last United States census for electrical industries which was taken in 1932, there were 1,802 publicly owned plants. Private industry supplied 95 per cent of the electrical service in the country. The average cost for all electric services in the private plants was 2.5c per kilowatt hour while the average cost for publicly owned plants was 3c. Also, in 1932, the private electric industry paid over \$200,-

000,000 in taxes while, with very few exceptions, the public plants paid none.

Now  $\frac{1}{2}$ c per k.w.h. probably doesn't seem much saving until you stop to consider that under normal conditions the people of the United States consume more than 100 billion k.w.h.'s in a year. This means that, under private ownership, the consumers save about \$500,000,000 over what they would pay if they paid the average rate charged by the publicly owned plants. Add to this the tax of \$200,000,000 of the private companies over the \$1,500,000 of the publicly owned ones and you have a total saving of \$698,500,-'000 to the nation.

In Australia, railroads, telegraphs, and telephone systems, gas and electric plants, street railways, coal yards, and even hotels and cafes have been put under the experiment of government ownership. Early in 1914, before any sums were expended for World War purposes, the debt of the combined commonwealth amounted to over \$1,565 per family, while on the same date the combined debt of our government and the 48 states organized on the theory of private initiative was only \$55 per family. We believe these figures speak for themselves as far as practicality and economy go in these countries. However, we are not claiming too much for them. We are merely pointing out from the only available evidence the existing conditions where government ownership has been tried. Since we believe cost to be an important item in considering a new plan and since we do not wish to see our own national debt run the risk of assuming more alarming propor-

tions, and since we are not satisfied with the results of government ownership that have been observed in experiments tried by other nations, we are opposed to its installation in this country.

Not only is the plan extravagant and impracticable, but with our political life organized on a two major party basis, dangerous implications arise. With the government *owning* the entire banking facilities and holding the power to give or withhold credit, the party in power would have virtual control over all industry, because its very life depends on the obtaining of short time loans. A highly mechanized political machinery, after once obtaining office, could install itself with such solidity as to become permanent. When the existence of a man's business depends upon the will of the person holding the purse, terms offering only a half strangle hold on life will be accepted to immediate death of the business. We believe that such a plan would offer too great a chance for fascism to creep into democracy, especially through a government ownership of a facility that is the very heart of our economic life.

For these reasons, because we believe government ownership would prove expensive and a burden on the taxpayer, and because an extremely dangerous instrument of too powerful control would be put into the hands of too self-interested people, we believe that we should not adopt the policy of government ownership of our commercial banking facilities.

Second Affirmative, Mary Cline  
Washington State College

MR. CHAIRMAN AND FRIENDS: Past experience brings to attention that a stable banking system must be established in the United States in order that the economic set-up may be maintained. It is imperative that inefficient, weak banks be barred from losing the people's money. It is imperative that confidence be restored and maintained in the commercial banks of the United States. But without a stable, sound structure, such confidence can neither be restored nor maintained. Thus, we have this discussion of government ownership and operation of the commercial banking facilities in an effort to ascertain whether or not government ownership and operation of the commercial banking facilities would give greater stability to the system and better retain the confidence of the nation.

Miss Montgomery has called attention to the fact that today the individual has the opportunity to place his savings in a safe and sound governmentally owned and operated facility in which he has confidence—the United States Postal Savings. Furthermore, at the present time, the Federal Government is actually owning and operating 42 financial institutions and owns two-thirds interest in ten others, according to figures given in the *World Tomorrow* on page 257 of the November, 1933, issue. It has been necessary for the Federal Government to take over these financial activities because of the collapse of private ownership and operation of commercial banking facilities. The gov-

ernment has proved its worth in handling these institutions successfully. The Negative has agreed that the Federal Government is operating these financial institutions efficiently. What we need now is an extension of government ownership and operation to include the commercial banking facilities so that they, too, may be put on a stable foundation.

You will recall, as Miss Montgomery has shown, proof of the inability of private banking to cope with problems, as they arise, has been manifested throughout the history of our banking system. She went into detail, giving examples of how consistently the government has been called in to attempt to alleviate distress caused by the inadequacy of the private banking system. But, of necessity, this assistance rendered by the Federal Government had to be negative in nature. It could not establish a permanent system which would assure sound banking. All it could do was to come in after the damage had been done and try to heal the wounds, rather than being able to forestall or prevent their occurrence. Such a negative policy could only lessen results—it could not remove causes. Thus, every time the private banks found themselves on the rocks, the Federal Government would be called in to help re-establish them on a workable basis. But the damage had already been done—the banks had failed—the depositors had lost money as well as confidence—business had tightened up, putting men out of work. The government would do all it possibly could to alleviate this distress, and as soon as the banks were operating again, they would demand a return to the

“hands off” policy—government assistance was no longer needed it seemed. And yet, invariably they slipped again, and immediately would appeal to the government, and because it must care for its citizens, attention would again be directed to remedying results. Such a negative policy is inadequate—it is not enough—a permanent, stable system which will prevent banks from failing, which will assure sound banking, is what is needed. Government ownership and operation would give a stable system.

Today, we have thousands of banks, but no system—or rather more accurately, perhaps, we have thousands of banks and thousands of systems. For, in addition to unsound banks which cannot maintain confidence, culminating in failure, one of the chief evils of our present set-up is the multiple banking system. In no two states are laws the same. As Professor Reed of Cornell University brings out in Chapter 30 of Rufener’s book, *Money and Banking in the United States*, published in 1936, (page 779):

“There is at present much overlapping of regulatory authorities. A single bank may now be affected by the decisions of the state banking authorities, the Reconstruction Finance Corporation, the Local Federal Reserve Bank, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. Such overlapping of authority is not only objectionable, on the ground of wasted time, expense, and effort imposed on bank officers and bank director aid, but it obstructs the accommodation of a common monetary or credit policy.”

Obviously, we cannot expect to achieve stability until unity and uniformity become apparent in our banking structure. Complete unity is essential in order to have a well-balanced, integrated hierarchy of banks.

Besides there being a lack of complete unity and uniformity of banking, the deficiency is also glaringly present in interest rates, standards, and records. Such non-uniformity makes diversification of risk and fixation of responsibility impossible. Government ownership and operation of the commercial banking facilities would eliminate these evils which exist today because, in the first place, there would be absolute unity and uniformity, not only of the banks themselves, but also in interest, records, and standards, since in reality there would be just one bank, owned and operated by the Federal Government, with branches established wherever needed, thus abolishing the multiple banking system with its attendant evils. Risks could easily be diversified, and responsibility would automatically be fixed. Failures would be eliminated because it is a universally accepted fact that people do have confidence in the Government of the United States. Consider the fact that postal savings increased 600 per cent in the past three years, showing again that the people of the United States choose a governmentally owned and operated savings bank in which to place their money. Consider, also, the fact that the Federal Government has been forced to take over half of the financing in the country today through its 42 financial institutions, again calling to our attention the fact that in every financial field except commercial banking, the

government is owning and operating some facilities. These that have been operated and owned by the government have been the safe half, too—they have not been the organizations which have closed their doors and failed to pay out. Why then do we not extend the sphere of government ownership and operation to commercial banking facilities, so that here, too, the country may have a safe place in which to deposit money and receive credit? Depositors would not become panicky and draw out their money, causing failure of the bank if the facilities were owned and operated by the Federal Government. Government ownership and operation is necessary if we are to achieve uniformity and unity, restoring and retaining the confidence of depositors, and in this way eliminate bank failures.

Besides the lack of confidence in privately owned and operated banks, the disunity and non-uniformity of the multiple banking system, it is quite impossible for the government to stabilize credit under such a set-up. They do not have enough authority—they do not have the nation-wide control of banks which is necessary to enable them actually to study and analyze credit conditions in order to bring about stability in this field. Stabilization of credit can never be obtained until there is complete governmental control of the banks and the banking facilities. Government ownership and operation would therefore, not only unify the system, restore confidence, prevent failures, but would also permit stabilization of credit.

Another disadvantage of privately owned and operated banks is found in the field of personnel. It is

very difficult for such bankers to employ well-trained and efficient men in the present system of banking, not only because of lack of funds in the case of the weak, smaller banks, but also because of the unavailability of trained personnel. The government, owning and operating the commercial banks, could afford to train the personnel and hire and promote them according to ability. They could afford to get the best possible men in the banks, thus further stabilizing the banking structure.

Government ownership and operation would eliminate the evils existent in the present system. For the first time in history the United States would have a stable, permanent banking system of which it could justly be proud—a system to take prompt, decisive, nation-wide action as to currency, credit, and banking—a national system best suited to meet the demands of 120 million people scattered from Maine to California.

To correct the evils of the private system and to establish a uniform permanent structure which will eliminate failures, restore and retain public confidence, make possible stabilization of credit, diversification of risk, fixation of responsibility, uniformity of interest, standards, and records, and an efficient personnel, trained for promotion, the Affirmative asks that the Federal Government own and operate the commercial banking facilities of the United States.

Having seen the benefits that would come from government ownership, let us turn for a brief analysis of the two cases as they have been presented thus far.

As you will recall, Miss Montgomery asked the Negative several questions. When asked if they felt that this negative policy of regulation was sufficient to take care of the evils, the Negative replied, "No, of course we do not. We probably have the same objections to it as you of the Affirmative have." The Negative has also gone on to reply to the rest of the questions that they do not feel they are relevant, as the Negative is not upholding the present system of regulation. We see then that thus far in the debate, the Affirmative and Negative are agreed on a great many points. Both teams feel that Federal regulation with private ownership can do nothing more than to inflict negative policies. These negative policies have not and cannot establish a sound, permanent banking structure. Since both teams are agreed that the present system must be changed in order to establish a banking system which will meet the needs of the American people, the chief issue is: Will government ownership and operation correct these evils? Miss Klobucher has added another issue, namely, will government ownership and operation be the best method of eliminating these weaknesses and of providing a good system?

Naturally, we of the Affirmative believe that government ownership and operation of the commercial banking facilities is the only logical and permanent solution to our difficulties. The Negative naturally has attempted to show that ownership and operation by the government would not be a desirable solution, and, in attempting to prove this, has said that government

ownership and operation have proved expensive, impractical, and unsuccessful wherever tried. Let us analyze this criticism a little—as we have reminded you, before 1933 the Federal Government actually owned and operated successfully 42 financial institutions. Since that time, others, such as the Reconstruction Finance Corporation, Home Owners Loan Corporation, and Production Credit Corporation, just to mention a few, have been added. We have taken our figures from reports of the U. S. Government, Bureau of Statistics. I think a statement made in a recent issue of *World Tomorrow* is particularly applicable here—"The successful ownership and operation of these financial institutions by the United States Government make ridiculous the assertion that government banking is impracticable." Now, that's just exactly the way we of the Affirmative feel. When we can actually see our Federal Government successfully owning and operating financial institutions in the United States in such a way that the people have confidence in them and prefer them to privately owned institutions, the assertion that government ownership and operation have always proved a failure simply does not hold water. The Negative has also made the statement that government ownership and operation of the commercial banking facilities would prove expensive and a burden on the taxpayer. What could be a greater burden on the taxpayer than the losses suffered because banks have failed? What greater cost has the taxpayer borne than that occasioned by the collapse of our credit structure in the hands of private bankers? The safety

of government banking alone would far outweigh any cost in dollars and cents of the operation of the institution. Add to the safety the elimination of failures, a uniform, permanent structure, diversification of risk, fixation of responsibility, trained personnel, and uniformity of interest, standards, and records, and we see that the balance is unquestionably and undeniably on the side of government ownership and operation.

As both Affirmative and Negative recognize, regulation cannot eliminate the evils existing in the present system and cannot establish a sound, stable banking structure. We of the Affirmative have shown you the benefits that would come from ownership and operation. We have further shown you how the negative arguments that government ownership and operation would be impractical, unsuccessful, and expensive, simply are not effective as we actually today can see the Federal Government successfully owning and operating financial institutions we of the Affirmative believe that the Federal Government should own and operate the commercial banking facilities.

**Second Negative, Helen Rasmussen**  
**Whitman College**

MR. CHAIRMAN, WORTHY OPPONENTS, AND FRIENDS: Miss Cline has just finished presenting the constructive case of the Affirmative. Before proceeding further in this debate I think it would be well to summarize the two cases thus far, pointing out the things upon which we agree, the place at which diver-

gence enters, and the issues which have become central in this debate.

First, the Affirmative pointed out that the present banking system is not and has not been operating successfully, and as proof for this contention cited the high rate of bank failures which has existed up to the present time in the United States. My colleague, Miss Klobucher, agreed to this statement of fact.

Since both Affirmative and Negative agreed that the present system of banking in this country has proved a failure, the next logical step was to examine the evidence in an attempt to discover what has caused the system to fail. Miss Montgomery, first speaker for the Affirmative, attempted to explain the causes by two general statements. She said that, "The defects lie in the private owner not being able to cope with a public problem, and the government having the power only to put negative policies into effect." Miss Cline became more specific when she mentioned inefficient, weak banks, a multiple banking system with lack of diversification of risks, and no fixation of responsibility. These latter and more specific causes we of the Negative believe are the clue to the explanation of the inefficiency and failure of our present banking system and will give proof a little later in support of this.

Upon the basis of these contentions, plus the fact that American people have shown their confidence in United States Postal Savings, and the fact that the government owns and operates 42 financial institutions, (which, however, our opponents did not deem necessary to name and for which they gave no evidence of

successful and efficient operation), the Affirmative has come to the conclusion that what we need is government ownership and operation of all of the commercial banking facilities of the country. And for proof of the desirability and workability of such a plan, they merely state that it will do away with all of the evils of the present system and they again speak of Postal Savings, (which, by the way, has very little likeness to commercial banking), and of the 42 anonymous financial enterprises in which the government is engaging. The Affirmative thus far, and it has presented its entire constructive case, has not offered concrete evidence to prove its contentions in one single instance. We maintain that it must do so to establish its case.

Miss Klobucher has pointed out to you instance after instance, and has given reliable figures as evidence, of the high cost of operation in the fields of business which government has entered. These high costs to the public have been contrasted with the lower costs of service under private enterprise. We do not want any misunderstanding to arise as to what we are claiming for these figures. We have shown you evidence gathered from a number of different fields of business which government has entered and from a number of different countries. We have no instances of actual federal ownership and operation in commercial banking, and evidently our opponents have also been unable to find such cases. Therefore, we believe that the actual record of government in business in other fields is relevant to the question, and that it is logical to assume in the light of these numerous cases

of inefficiency, high cost, and failure that government has not proved successful in business and is not likely to do so in the field of commercial banking. We consider *cost* one of the most important factors in a banking system.

We of the Negative believe that we need to do something to improve the banking system. We do not advocate government ownership and operation as the solution because we consider it neither practical nor wise and because we believe that there is a better plan. The plan which we offer has been proved highly successful in other countries over a period of time. This plan is branch banking under federal regulation. The trend in this country at the present time is toward such a system. This, we maintain, would do away with all of the weaknesses of the present banking set-up while it would introduce none of the dangers and undesirable features of government ownership. Moreover, branch banking is demonstrating its workability and success in actual operation, and, therefore, we know that it will work.

The McFadden Act and the Glass Bill are recent laws which evidence the trend toward branch banking. We find that 14 billion dollars out of 58 billion, which represents the total loans and investments of all banks in the United States, or 25 per cent of the total, were controlled by banks in groups or banks operating branches. Larger banks are being formed through consolidation. The 35 per cent of banks in the United States which belong to the Federal Reserve System control 65 per cent of the total resources of all banks.

(These figures are taken from Bradford's *Money and Banking*.)

We advocate an extension of branch banking under Federal regulation. I will try to explain as briefly as possible the general organization of such a system. All commercial banking would be regulated by the Federal Government which would have the sole jurisdiction over the chartering of banks. All banks would thus be national banks. The Federal Reserve System would probably be maintained much as it is. This would do away with the dual system, or as our opponents call it, the multiple banking system. Responsibility for regulation would be fixed. The unit banks would soon be absorbed by branch systems as soon as it were made legal. California, which in recent years passed a law allowing state-wide branch banking, illustrates this process. The system we propose would be similar to the systems of England and Canada, which have operated successfully over a long period of years. In Canada, which is a country with entirely different problems from that of industrialized England, there are 10 chartered banks with 4,000 branches. England has its Big Five. Branch banking is also carried on successfully in Switzerland, Finland, and Scotland. As testimony to the success of the banking systems in England and Canada, the fact that there were no bank failures in either country during the recent world-wide depression, which saw so many banks in this country close their doors, is certainly significant.

A system of branch banking would do away with the weaknesses of the present system which we believe,

after a careful analysis, fall into two main classes, those resulting from the dual system of regulation, which places responsibility under 49 different jurisdictions and makes uniformity of policy impossible, and the system of small unit banks which results in lack of safety and inefficiency. According to Rufener's *Money and Banking*, which our friends of the opposition have also quoted, the greatest number of failures occurred among banks of small capital, banks in small towns, state banks, banks in regions which had become overcrowded with banks because of the competition in chartering between the state and national authorities. Under a system composed of large branch banks, chartered only by the National Government, these conditions would be removed. There would also be the advantages of greater diversification of loans, efficiency in operation, and a better trained personnel. These are the very advantages which the Affirmative hopes to secure under government ownership. Safety, which is a matter of utmost importance, would also be insured, for under a similar plan a very high degree of safety has been demonstrated in other countries. England has had no bank failures in the last thirty years.

In light of the fact that branch banking would insure the benefits claimed for banking under government ownership and operation, because it would not entail the high cost and burden on the taxpayer and, also, the very real dangers which we have shown you would inhere in that system, and because in adopting it we would not need to cause a complete upheaval of the existing banking organization with the difficulties

which are involved in a radical change, we believe that it would be a far wiser step than that proposed by our opponents.

We object to government ownership of the banking facilities, not only upon the grounds that it would prove costly and a burden on the taxpayer and would give the political party in power a dangerous instrument for making its control in the government permanent, and because we believe that there is a better system for righting the present banking evils, but also because of another serious objection. This is a problem which is fairly technical and rather difficult to explain. I will try to do so as simply as possible.

Profits in banking are made largely from the interest charged on loans. These profits would go into the government coffers as a form of revenue, and this manner of raising revenue does not comply with sound principles of taxation. One of the principles of taxation states that an individual should be taxed according to his ability to pay. Now, does the fact that an individual is forced to borrow money demonstrate that he is able to pay? Obviously, it does not. By placing a tax on such a basis we are in reality taxing exigency rather than ability. We believe, then, that this is a serious objection to government ownership and operation of the commercial banking facilities and one which the Affirmative must meet if they uphold the plan.

We of the Negative have given proof, upheld by figures, to demonstrate the high cost and inefficiency in the actual record of government in business; this indicates a high probability that the Federal Govern-

ment in banking would prove costly and a burden on the taxpayer. We have pointed out the dangerous weapon which such a system, if adopted, would place in the hands of the political party in power. We have demonstrated that it would put in effect an unsound system of taxation. And we have offered a plan which would accomplish the benefits claimed for government ownership and operation and which is recommended by a long period of very successful operation in several of the leading countries of the world, while the Affirmative has given no concrete evidence that the scheme they propose could be put into operation or would work effectively. Therefore, the Negative maintains that the Federal Government should not own and operate the commercial banking facilities of the United States.

**First Negative Rebuttal, Marion Klobucher**  
**Whitman College**

So far the debate has progressed to this point: both the Affirmative and Negative have admitted certain weaknesses in the present banking situation.

The point of difference comes in the Affirmative's proposal to adopt government ownership as a remedy, while we of the Negative advocate a system of branch banking under federal *regulation*, a system that would provide any advantages that government ownership might have as far as large scale banking and centralization of authority go, without adding on the extra bur-

den to the taxpayer or presenting the possibility of the party in power obtaining dictatorial means.

Now, we believe that the Affirmative has worked itself into a rather neat dilemma. If government ownership were put into operation, there would be three possible results. It, by all evidence of past experience, would operate at a loss and be a burden to the taxpayer, as we of the Negative believe; it would operate at cost; or it would operate at a profit.

Now the Affirmative will admit, in fact have stated, that there must be a control of credit in the nation. Otherwise, it would go up in the smoke of inflation from the flames of too easy credit. Control of credit is brought about through regulation of the interest rates on loans to private individuals and by regulating the discount rate of bank loans to each other. This is accomplished now through the Federal Reserve System. Thus it can be seen that the banks could not operate at cost and bring about any control over credit at all, because the very principle of changing the rates would naturally result either in a surplus or in a deficit.

If it is a deficit, we have shown you it will necessarily be just another burden on the taxpayer and another weight added on the wrong side of the scales in our "budget-balancing" problem.

If it is a surplus, it would go into the government coffers as revenue or, in other words, as a form of tax. Now, if this is the case, the tax is not based upon sound principles of taxation. Authorities agree that taxes should be levied in accordance with the ability to pay. In this case, it would be levied on the exigency

of the individual rather than on his ability to pay. In other words, the need of the person who borrowed would be the basis of the tax; and the very fact of his need is generally fair evidence of his financial state. Therefore, we can see no possibility of government ownership accomplishing desirable results.

Now, with a strict federal regulation of all banks, and a consolidation of banks following the present trend, such as we have advocated in our constructive speech, the advantages offered of government ownership and private initiative would be incorporated and the present weaknesses of each, that are in evidence now and which our opponents have pointed out, would be eliminated.

But, say the Affirmative, regulation is ineffective. With this statement they are saying that the very principles upon which our present government is organized, are not effective. If federal regulation is ineffective in one field, we naturally assume it to be ineffective in others, according to the arguments of the opposition. Therefore, if regulation, the principle of American government, is ineffective generally, we assume our opponents advocate a complete cure for the country by complete government ownership if we are to follow their arguments to their logical conclusion. The principle of democracy is regulation, and the principle of fascism is ownership. Fascism has crept into other countries in just this fashion. If government regulation is as inadequate and superficial as they claim, we wish to know if they are in favor of complete government ownership of all industry? This is

exactly what ownership of the banks would do. As we stated in our constructive speech, with our government organized on a two major party basis it would be too easy for the party in power to withhold credit and force industry either to support it or be put out of existence. With a weapon that strikes at the root of the economic existence of a country, its form would become plastic in the hands of those in power.

Therefore, because we believe government ownership to be too rank and unruly a weed to be sown in such fertile ground, because we see no desirable effects that cannot be accomplished far more easily and safely under government *regulation*, we do not believe government ownership of our commercial banking facilities should be adopted.

**First Affirmative Rebuttal, Anne Montgomery**  
**Washington State College**

**MR. CHAIRMAN AND FRIENDS:** I should first like to review our case for you as we have presented it thus far this afternoon, and then see just what objections our Negative friends have brought against our arguments.

As I pointed out to you in my constructive speech, savings are already under government ownership and operation, and there is a definite need for commercial facilities to be placed in the hands of the government. As I showed you, banking is a public not a private problem and needs public means of control; that under the present system of government regulation all that

the government can possibly do is to inflict negative policies, which certainly is not getting at the root of the evil.

My colleague, Miss Cline, pointed out to you that the government was already in one-half of the financial business of the United States and operating these businesses successfully. She gave as examples the Home Owners Loan Corporation, The Postal Savings, The Reconstruction Finance Corporation, and others. The Negative has pointed out in connection with this that these financial businesses have little in common with banking. We of the Affirmative take issue with this statement, since, as a matter of fact, it was because of the bank failures that most of these were put into operation. If the banking system were stable, it would not be necessary for the government to take over these financial businesses. Miss Cline further showed how government ownership and operation would give a sound banking structure by eliminating failures and by eliminating the multiple banking system thus providing a unified system, a diversification of risk, and a uniformity of interest rate. Besides, these desirable, government ownership and operation of the commercial banking facilities would stabilize the credit, provide a fixation of responsibility, eliminate the inter-jurisdictional shifts, which, as Miss Cline pointed out, are wholly undesirable. Furthermore, the proposed plan would give prompt, decisive, nation-wide action and provide an efficient personnel.

Now, let us see what objections the Negative has brought against these arguments.

In the first place, it has admitted the weakness in the present structure—that we do not have a stable banking structure. Since we are agreed that there is something wrong with the present set-up, the question is whether government ownership and operation is the right step. We of the Affirmative believe that it is, the Negative objects because, it says, "Government ownership and operation is undesirable and impractical." It pointed out examples of the Canadian Railroads and other foreign expedients. We do not have to go to foreign countries to see if government ownership is successful. I refer you again to the forty-two financial businesses which the Federal Government is now operating successfully; besides, successfully owning and operating the educational system, the G-Men, the Army and Navy, the Postal Savings Department, and numerous others, which I could enumerate if time permitted. Certainly the Negative will agree that the government is carrying on these projects successfully. Perhaps, that is the reason they cited their examples from foreign countries.

Instead of government ownership and operation to relieve the evils of the banking system, the ladies of the Negative advocate an alternative plan of branch banking under federal regulation.

As we have shown you, there are evils which are prevalent now. The Negative admits these evils. These evils, friends, are existing under the present system—a system of federal regulation. Realizing these evils do exist, the Negative, in the same breath, advocate another plan of regulation. It is obvious that

these evils; such as, bank failures, infliction of negative policies, and various others, which we have made clear, would not be eliminated through a plan of branch banking with government regulation. The government could not get at the root of the evil with mere regulation and, consequently, we could not have a permanent and stable banking structure. Therefore, the alternative plan, which has been presented by the Negative is not adequate to eliminate the evils which they themselves have admitted exist.

Let us see what other objections our opponents have mentioned. They fear that the natural outgrowth of government ownership and operation will be fascism or communism. In reply to this objection, I should merely like to ask the Negative if the Postal Savings, in which there has been a 600 per cent increase in deposits, these 42 financial businesses which the government is owning and operating at the present time, and all of the other government projects, which I have previously enumerated for you; if these things are bringing on a state of fascism or communism at the present time? We believe that the government will be able to own and operate the banking facilities and bring on no more fascism than they have in the past.

Miss Cline will answer the objection of the opposition that this plan will result in a new type of taxation.

Since there are definite evils which need correction, as the Negative has admitted, since the alternative plan of the Negative will neither take care of these needs nor get at the root of the evil, as we have shown you, and since government ownership and operation of

commercial banking would take care of the needs just as it is at the present time in these financial institutions, therefore, we believe that the government should own and operate the commercial banking facilities of the United States.

**Second Negative Rebuttal, Helen Rasmussen  
Whitman College**

**MR. CHAIRMAN, WORTHY OPPONENTS, AND FRIENDS:** As we come to the concluding speeches of this debate, we find that it has resolved itself into a comparison of two plans for remedying the weaknesses of the present banking system in the United States, government ownership and operation of the commercial banking facilities, which the Affirmative proposes, and branch banking under federal regulation, which we of the Negative advocate.

The Affirmative has claimed for government ownership that it will do the following seven things: it will eliminate the multiple banking system, provide for diversification of risk, establish uniformity of interest rates, stabilize credit control, provide a fixation of responsibility, eliminate inter-jurisdictional shifts, and provide an efficient personnel.

We of the Negative have shown you that every one of these benefits would be accomplished under a system of branch banking under federal regulation. When we propose the placing of sole jurisdiction over banks in the hands of the Federal Government, we eliminate the multiple banking system and any possibility of

inter-jurisdictional shifts. When we legalize branch banking, which according to a trend evidenced today would result in consolidation of banks and the absorption of small banks into large branch systems, we provide for wide diversification of risks, uniformity of interest rates, and the efficient personnel that large businesses can offer but which small concerns cannot maintain. And, certainly, there would be a fixation of responsibility under such a plan which gives sole authority over bank regulation to the Federal Government and places banking in the hands of large branch banking concerns which must naturally assume responsibility for the service offered by every unit in their systems. There remains, then, the one other claim which our friends make for government ownership, namely the stabilization of credit control, which at the present time is handled through the Federal Reserve System. We have advocated the maintenance of the Federal Reserve System which provides the necessary machinery for credit control and absolute stabilization of credit policy. There is not one remote bank in this country whose credit policy is not determined by the Federal Reserve from the top and carried down through discount rates from bank to bank.

Therefore, we have shown you how branch banking under federal regulation will effect all of the benefits advocated by the Affirmative; and, moreover, we have not based our claims on theory alone, but have cited two major countries of the world and other countries in which this type of banking system has accomplished these things which make for safety in banking. May

we remind you again that this system has proved so successful in England and Canada that neither country suffered one single bank failure during the depression.

We do not believe that the Affirmative has given sufficient proof to establish the fact that its system would work or would accomplish these benefits. We pointed out a great number of instances where government in business, both in the United States and in other countries, has failed and where government enterprises proved costly and a burden on the taxpayer. Our friends of the opposition have cited absolutely no definite figures to establish their case or to refute the figures and examples we gave. They have mentioned a number of government enterprises which they *state* are successful but for which they have given no evidence in support. The enterprises were the United States Postal Savings, 42 financial businesses, the educational system, the G-Men, the Army and the Navy.

We agree that those of the 42 business enterprises which were named, The Reconstruction Finance Corporation, The Federal Credit Administration, and several others have been fairly successful as emergency measures, but let us remind our opponents that there is a great difference between an emergency measure and a permanent system. We agree, of course, that our educational system, our Navy, our Army, and the G-Men are enterprises successfully and rightfully maintained by the Federal Government, but these activities are not in the field of business. We did not mean to imply that we believe the government to be a failure in everything. We also wish to point out that the

Postal Savings system is something quite different from commercial banking. A postal savings bank, for example, does not have the power to control business through the withholding or extending of credit, it does not have the means by which factories could be closed down and men thrown out of work through the refusal to advance money on short time loans to meet the payrolls. I believe that this indicates how absurd is the question asked by the last speaker for the Affirmative, "Is Postal Savings bringing on a state of fascism at the present time?", by which question she implied that if Postal Savings is not introducing fascism neither can government ownership and operation of all of the commercial banking facilities in this country be a possible fascistic threat.

The only real criticism which the Affirmative has offered to the plan which we advocate is that it, like all regulation, would be only a "negative policy." Would it be a "negative policy" when it gets at the root of our banking troubles and eliminates them? It would do away with the multiple banking system and provide that weak unit banks be absorbed by large and powerful branch systems which, according to economists, are the chief causes of bank failure. We do not believe that a policy which would accomplish such results can be called a "negative policy," which we believe to be a phrase with little meaning oft repeated by the Affirmative with the hope that the psychological effect of repetition would make it seem important.

Let us then sum up the two cases. Both Affirmative and Negative agreed that our present banking system

has not operated successfully. The Affirmative has advocated government ownership and operation of the commercial banking facilities; we have advocated branch banking under federal regulation. We have pointed out that our plan would accomplish all of the benefits claimed by our opponents for their system. Moreover, we have advocated a plan which we know will work because it is working and has worked. Our opponents have given no concrete evidence to establish the workability of their plan. We have shown you why we believe it would prove costly, be a burden on the taxpayer, and prove inefficient. We have also raised certain other objections to such a plan being put into operation. These objections were that it would be entrusting the fate of industry to the party in power, a procedure we believe very dangerous; and that such a plan would be putting into effect a type of tax which violates an important principle of taxation, namely, that a tax should be based upon the ability to pay.

Thus, we see that there are some important things left for our opponents to do in order to establish their case. They must answer the charges we have made against government ownership and they must give concrete evidence to prove that their plan would work and that it would work better than the one we advocate. Because we do not believe this can be done, we do not believe that the Federal Government should own and operate the commercial banking facilities of the United States.

Second Affirmative Rebuttal, Mary Cline  
Washington State College

MR. CHAIRMAN AND FRIENDS: Coming now to the final speech in the 100th clash between Whitman College and the State College of Washington, we see that the Negative has accepted practically the whole Affirmative case. They have agreed with us that regulation has failed and that something further must be done to stabilize the banking system. The Negative has leaned even closer to the Affirmative because it has not even attacked the benefits which we have shown you would come from government ownership and operation, thus admitting that government ownership and operation would eliminate the existent evils and achieve a stable banking system. Since both teams agree that these benefits will accrue, it is unnecessary to give further substantiation on this point.

Now, we may well ask at this point what has the Negative spent its time on this afternoon. In the first place, it has asserted that government ownership and operation would be impractical, unsuccessful, and expensive, submitting as proof various examples of foreign governmental enterprises and some non-financial agencies such as the railroads in the United States during the World War. When we called their attention to the fact that regardless of losses occasioned in Canadian or Belgian railways, the fact remains that our Federal Government is today operating financial as well as non-financial enterprises successfully. To this Miss Rasmussen replied that of course these 42 financial

enterprises and various other non-financial ones were being operated successfully, but we must remember that these are operating in emergencies and that emergencies are much different from normal times. We are very glad that Miss Rasmussen has brought this point out—very true—operation in emergencies is a great many times more difficult than it is in normal times when conditions are more or less stable. So, when the government can successfully own and operate financial agencies in times of crises and emergencies, we fail to see how government ownership and operation is so impractical and unsuccessful in normal times. The Negative has charged us to show that it could be operated successfully—certainly they themselves have recognized that it is being done at the present time, both in financial and non-financial enterprises. Furthermore, the fact that they have not even attempted to refute the fact that benefits would accrue from government ownership and operation indicates their realization that it is workable and practical.

Now, there are a few other minor points that should be taken up before we draw this debate to a close. Miss Rasmussen, as you will recall, stated that she had put the Affirmative in a "rather neat dilemma," but in reality it seems that almost the reverse is true. According to Miss Rasmussen, the dilemma is this: Either government ownership and operation will net a profit, in which case we'll change our basis of taxation; or government ownership and operation will just break even; or it will result in a deficit. Then, she eliminated the dilemma by saying that only one thing could

happen—that it would result in a deficit. Not only has she removed the dilemma by her own statement, but she has also removed her taxation argument. It was based on a surplus going into the general coffers of the United States Government, but since they are going to lose money on the banks, there will be no funds which can create the taxation problem that is so perplexing to the Negative. As a matter of fact, these points are of relatively little importance. Since banking should be a service institution, and since it would be under government ownership and operation, we would not expect it to make a profit. The service which it renders in the formation of a stable, sound banking system would far offset any slight deficit which might result.

Passing now from these minor considerations, let us look at the chief point of the Negative—the advocacy of federal regulation of branch banking. This is rather strange inasmuch as the first Negative speaker emphatically stated that of course they did not believe in federal regulation—that it had failed miserably to eliminate the evils of the present system and could not possibly establish a permanent sound structure. They further stated that since they were not upholding the plan of regulation, any discussion of its inadequacies was unnecessary. Thus, the Negative agreed that evils existed in the present system of federal regulation; it agreed that regulation could not correct the evils; it agreed that the benefits as set forth by the Affirmative would accrue from government ownership and operation. But, they said, we are going to submit

a plan which we believe to be a little better than actual ownership and operation. And what was this plan which would eliminate evils which regulation cannot—what was this plan which would accomplish all the benefits of government ownership and operation? In the words of Miss Rasmussen, this plan is simply one of regulation—branch banking extended under federal regulation. Something is wrong somewhere—how can the Negative say that regulation is inadequate and then advocate a plan of regulation to eliminate the evils which they say regulation cannot? It seems to me that surely they realize in the face of these facts that regulation could not give us a permanent solution to the problem. How could it? It is not substantially different from any other regulatory measures which we have had. It does not provide for a positive, sound system. It is just tacking on another patch—a patch with no more chance of holding under stress than any of these other patches which Miss Montgomery brought out in her first speech. We of the Affirmative are asking for a positive, permanent system—one which will actually eliminate evils of present systems and establish a stable one for the future. Government ownership and operation would do this, as the Negative agrees. But they say, so will branch banking. How? We are not told exactly. Miss Rasmussen has told us that branch banking is operating in the United States today—she forgot to mention, however, that branch banking was also in existence in 1929 and in 1933. Did it have the confidence of the people? Did it prevent the collapse of the banking system? Did

it give us a stable system, even with its federal regulation? Obviously, it did not. By what miracle, then, does the Negative think that in 1936 it could do the things which it could not do in 1929 and in 1933? They have not enlightened us on this point. They have said that it accomplishes all of the benefits of government ownership and operation, but it does not eliminate failures or establish confidence because it did not in 1933. Government ownership and operation would, and the Negative has not refuted this. Branch banking does not eliminate small weak banks—it only suggests that large banks take them over. No provision is made whereby we know that small, weak banks will be eliminated. Because it does not establish one uniform system for the United States, it cannot provide complete diversification of risk, uniformity of interest rates, records, and standards, and efficient personnel. It retains the principles of the present system of a great many divergent privately owned and operated banks—the same system we have always had in the United States and the same system which has always failed to carry us through a crisis. It makes little difference that the Negative advocates an extension of branch banking—the fact remains that it does not eliminate the small, weak banks. It is not a positive, stabilizing program. It only recommends that the Federal Government strictly regulates these branch banks. Where is there any comparison with the positive, uniform, permanent system of government ownership and operation? The Negative suggests that credit be stabilized through the Federal Reserve.

Here again is what we had before 1929 and it failed because the Federal Government did not actually have the commercial banking facilities under its ownership and operation to make credit stabilization possible. We fail to see how branch banking, extended or not, can supply a permanent stable system, chiefly because it retains the very same principle which the Negative admits failed—that of government regulation. Regulation does not and cannot go far enough—it does not and cannot get at the root of the evil. For these reasons, we see that branch banking under federal regulation is merely a new version of an old song. In our first speech we asked for a permanent stable system which would eliminate the evils of regulation of privately owned and operated banks. A system which would first of all eliminate failures and restore and maintain the confidence of American people—a system which would eliminate the multiple banking structure, which would provide diversification of risk, uniformity of rates, standards, records, and a trained personnel. We have asked for a banking structure which would guarantee fixation of responsibility and enable the government to have the actual control so that credit could be stabilized. The Negative has agreed with us that government ownership and operation would accomplish these things, thus giving us a stable and sound structure. We have shown wherein branch banking under federal regulation is simply calling the regulation we have always had by a different name and, as such, neither eliminates the evils inherent in

such a regulation procedure nor establishes a sound structure. Therefore, we again ask that the Federal Government be permitted to own and operate the commercial banking facilities of the United States in order to give us a truly stable system, constructed to meet the needs of the American people.

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THE PRESIDENT'S PLAN FOR RE-  
ORGANIZING THE SUPREME  
COURT

*An Assembly Debate*



## THE PRESIDENT'S PLAN FOR RE-ORGANIZING THE SUPREME COURT

### *UNIVERSITY OF SOUTHERN CALIFORNIA AFFIRMATIVE VS. UNIVERSITY OF REDLANDS NEGATIVE*

On May 5, 1937, a team from the University of Southern California composed of brother and sister, chosen from the men's varsity squad and the women's varsity squad, met a mixed team from the University of Redlands, chosen in the same way, before the faculty and students of the University of Redlands at the regular chapel or assembly period. It was the second occasion of the kind and will probably become an annual institution as these two debate squads have formed a friendly rivalry of many years duration on the debate platform. The debate was enthusiastically received. The Redlands squad discussed this question before service clubs, forums, granges, and civic discussion groups from the middle of February till the end of the debate season on an average of about four times a week and found the discussion greeted everywhere with intense interest. The University of Southern California squad also held several debates on this issue.

The question debated was phrased: *Resolved: That Congress should adopt the President's Plan for Re-organizing the Federal Judiciary.* Usually the discussion and sometimes the statement was limited to the Supreme Court issue.

The manuscript was collected by the Editor, who heard this discussion, with the co-operation of the debaters of the two universities.

First Affirmative, Majorie Atkinson  
University of Southern California

MR. CHAIRMAN, LADIES AND GENTLEMEN: Speaking from both a personal and an institutional

standpoint, it has always been with the greatest of pleasure that we of Southern California meet with representatives of your school in forensic discussions. Your chairman has spoken of the Southern California achievements in our recent northern contest. May I hasten to assure you that representatives from Redlands were conspicuous by their absence and, under those circumstances, we always fare better.

The discussion this morning holds two new experiences for me; the one that of encountering a university audience; the other is the new experience of agreeing with my brother, Mr. Atkinson. Believe me when I tell you that any noticeable inconsistencies in our line of reasoning must be excused on the psychological ground that "habit is stronger than the will." It is peculiarly pleasurable for my brother and me to meet the lady and gentleman of Redlands, not only because of the historic value of forensic relations between your university and ours, but also because you have allowed us to choose the affirmative of the question, the side to which we whole-heartedly adhere.

I should like to point out at the outset of the discussion that our President is by no means proposing anything new, either in theory or in the way that theory refers to the judiciary. In almost every decade since 1789 changes have been made by Congress whereby the number of judges and their duties have been altered. The court was established with six members in 1789, and reduced to five in 1801. In 1807 it was increased to seven; in 1837 to nine; in 1863 to ten; and in 1866 it was reduced to seven, and increased to nine

again in 1869. In the light of these shufflings in the court it is strange that opponents of the President's proposal do not insist that he "unpack" the court. A Voluntary Retirement Act, applying to judges in lower courts, was inaugurated in 1869 but was not lived up to. Soon after, came a proposal exactly congruent with the present proposal: that when a judge refused to retire at 70, an additional judge should be appointed. This passed in the House but was voted down in the Senate. Similar proposals were inaugurated in 1913, '14, '15, and '16. At this time, quite ironically, the acting Attorney General who made the proposals, was Justice James Clark McReynolds. In 1919, a bill was actually proposed which sought to give the President power to pass upon the ability of judges. So, in the light of our political history, the proposal is neither new nor radical, but these instances of judicial change point to a past and permanent need for some method of dealing with the problems of the judiciary.

The Constitution provides that the President "shall from time to time give to Congress information of the state of the Union, and recommend to their consideration such measures as he shall judge necessary and expedient." It was by this authority that President Roosevelt made his address to the Seventy-fifth Congress on February 5th of this year, pointing to three glaring evils in our present judicial system. I should like to discuss briefly those evils at this time.

First, there is the evil of congestion in the courts. The judiciary has often found itself handicapped by

insufficient personnel with which to meet a growing and more complex business. Just as it is foolish to assume that a general store personnel of the 1800's could handle the turnover of goods at Bullocks' during the Christmas rush, so it is foolish to insist that a limited number of judges can review the plethora of legislation which is being enacted to meet more varied and complex problems of living. Attorney General Cummings points out that each federal justice now has to handle nearly half again as many cases as in 1913, and that unnecessary delay results. The Court, because of this congestion, has been given the right to refuse to hear appeals in many cases. This discretion was so freely exercised that in the last fiscal year, although 867 petitions for review were presented to the Court, it declined to hear 717 cases. Can it be said that full justice is achieved when a court is forced by sheer necessity to refuse to hear 87 per cent of the cases presented to it by private litigants? Again, ironically, Mr. Chief Justice Hughes said of this in his letter to Congress recently that these were all petitions which should have been denied. This is conclusively proved, of course, by the simple fact that the Court denied them.

The need for speeding up judicial action in regard to Congressional legislation is particularly pressing. It is impossible to effectively administer and enforce a law until it has undergone the test of review. When the AAA legislation was adopted, the government entered into contract with hundreds of thousands of American farmers, and spent millions of dollars in

administration. After its voidance, it took months, and incidentally, a good many American dollars, to undo the damage brought about by delay on the part of the Courts. Those who cry that the NRA failed because it was not enforceable forget that every industrialist in the country knew that there could be no punishment for violation so long as the Court had not passed upon the constitutionality of its provisions. Thus, by postponing effective dates of legislation either through necessity or negligence, the Court is assuming a legislative function. It is becoming imperative that we speed up the processes of law to reduce the costs in the business of government. Not only does the Court have the right to deny cases; but even more than that, in the words of an able statesman, "Justice delayed is justice denied." The first evil that we present then is that the congested traffic of cases in the Court calls for some change in the present judicial set-up.

The second evil, like the first, is demonstrated in both the circuit courts and the federal courts. It deals with the personal inefficiency of the personnel. The government enforces, and the public sanctions laws which provide for the voluntary retirement of army and naval officers at the age of 64. It is the consensus of scientific opinion that the physical and mental faculties become less efficient at the onset of old age. Of course, the decrease in mental efficiency varies greatly with the individual, but every judge upon the Bench deserves a rest when he has reached 70 and descends down the other side of the hill. If advance in the strategy of military maneuvers is hampered by the

older men in the service, so the maneuvers in the strategy of government are hampered by the presence of men who have outlived their alertness. The rendering of decisions entails the writing of both majority and minority opinions, except in the case of a unanimous vote. The assembling of this material requires a careful analysis and a good deal of time. Mr. Justice McReynolds has not written an opinion in a whole year. Justice Brandeis is 80 years old; five others are over 70. Roberts and Cardozo, aged respectively 61 and 66, have written more opinions in the last year than any other members of the Bench. A discussion of age is infringing upon a delicate issue, but we must face the facts. Those who oppose the President's proposal insist that we have more business in government and less government in business; yet how many businesses today rely totally upon the opinion of a single man who has passed the prime of life? Even the average age of the justices is 72. We have 237 life-tenure judgeships, 25 of which are now held by men over 70. Must we wait patiently for these men to die before we can instill new blood because it is the courteous, the polite thing to do? Must we sanction inefficiency and mental inertia because tradition requires that we respect gray hair and Van Dyke beards? The declining efficiency of the presently constituted Court, then, presents another need for the inauguration by Congress of the President's proposal.

Lastly, there is the evil of the Court's attitude toward the certainty and the uncertainty of law. The

story is told, and authentically, that Mr. Justice Van Devanter was accosted by game officials during a recent duck hunting expedition, and asked why he had no hunting license. His excuse for violation was, "I did not know the law." And all evidence points to the fact, that the judges do not know the law as it should be applied to the problems of modern living. If this were not true, how can we explain away the epidemic of reversals which pave their way across the records of the Court—the Income Tax Law, and recently the New York Minimum Wage Law, and the Guffey Coal Bill? If this were not true, how can we explain away the five to four decisions witnessed in regard to legislation of the past few decades? There is little doubt but that it has been the judges' rigid interpretation of *uncertain* law which has voided much of the public-sanctioned legislation in the past few months, particularly the AAA. Cummings again points out:

"In the uncertain state of the law it is not difficult for the ingenious to devise reasons for attacking the validity of new legislation."

There is no legal reason why legislation, good or bad, should be invalidated because of the uncertainty of the law. We condemn the conviction of an individual upon circumstantial evidence, and still sanction the voidance of laws on circumstantial evidence and even upon the personal whims and peculiarities of the judges. A court's interpretation of our fundamental law is not immune from challenge by the people through political agencies. It is an axiom of our

democracy that no department of our government is superior to any other, but in the field of our present judicial review system this axiom is disregarded and we have a judicial dictatorship as a result. There is no fundamental difference in having a court packed for the President's policies and having a court packed against them, except that the latter case results in blind alley government, a government that bangs its head against a brick wall, and entails inefficiency and monstrous unnecessary expense. Lastly, then, there is need to gain a more practical interpretation of our "uncertain" law.

The President's plan will remove these evils and fill these needs. Briefly, it provides first, that for every justice, reaching the age of 70, who refuses to retire, the President shall appoint an additional judge to the Bench. That is, if the six justices retire who are over 70, the Court will not be increased in size; but if they do not retire, we shall have a Court of fifteen members. Secondly, it provides for the transfer of judges from one branch of the system to the other in order to make the system work more advantageously, and for a proctor to be appointed by the Supreme Court to assist in reducing congestion in the lower courts. Lastly, it provides that congressional legislation shall be given precedent over all other matters upon the dockets of the Court. This three-fold plan will remedy the evils which now exist.

Leon Green says in summary of it:

"Political? Yes. Who supposes it could be otherwise? It is the only method available for exerting governmental

control over the judiciary or keeping it working in harmony with the other departments of government, and I suppose no one thinks the Supreme Court is not a part of our government and not subject to political control. It provides a remarkably effective method for unpacking the Court and for preventing its becoming packed again."

First Negative, Hope Anker  
University of Redlands

MR. CHAIRMAN, LADIES AND GENTLEMEN: We should like to open this discussion today by trying to find some answer to the question of what is the real purpose of the President's plan for reorganizing the federal judiciary. Is it to get efficiency in the Supreme Court? Or is it merely a way to gain certain pieces of pet legislation? Is the plan one to solve an age problem, or is it merely to get more and different members on the Court. In examining the real elements of the proposal we can come to only one conclusion, and that is, that outwardly Roosevelt wants to relieve congestion in the courts, he wants an infusion of new blood, and so on—you have read his arguments in the papers many times, but down underneath these superficial claims what he wants most of all is *his* legislation, and as he stated it, he wants it "NOW."

If only for this matter of gaining legislation there was a time, and not more than two months ago, when I saw every reason for the adoption of Roosevelt's plan; however, with the recent reversal of judicial opinion due to the fact that Justice Roberts has changed his mind on matters of social issues, there is now ab-

solutely no reason for the adoption of this plan except to gratify the President's wishes. In fact, there are several very good reasons why the plan cannot be accepted by the American people, and it is upon three of these that we wish to base our contentions today. First of all, the need as set up by President Roosevelt and the lady and gentleman of the Affirmative has already been exploded by the public press. Secondly, there are so many practical objections as to make the proposal look ridiculous. And finally, the methods used by Roosevelt in getting our ablest judges off the bench merely because they oppose him and his New Deal will never be acceptable to the American people.

At the time of this proposal Roosevelt stated that "we need liberal judgment for social purposes"—obviously, we should not doubt the sincerity and intention of the President; however, what I wish to ask of you now is what has become of those social purposes? It is quite apparent that we have achieved them through the trend of decisions of the past two months by which the Court has swung from the conservative to the liberal side of the balance.

We needed state minimum wage laws and for fourteen years we couldn't get them; they were being held up by the eternal 4-5 decision barrier. But with the reversal of Justice Robert's opinion last month state minimum wage laws are now constitutional as was pronounced in the Washington State case. We needed a farm mortgage moratorium and this was recently granted in a reversed opinion which upheld the Frazier-Lemke Bill. We needed legalized collective bargain-

ing but this was another old story of 4-5 decisions; however, last month the Wagner Labor Bill was upheld by the Court as was the Railway Pension Act.

Therefore, it is quite apparent that by the reversal of Justice Roberts' opinion and the consequent swing of judicial decisions from the conservative to the liberal view point, we have accomplished exactly the same purposes that Roosevelt's plan ostensibly set out to accomplish. There has been much criticism about this sudden change of viewpoint; but, so far as we are concerned, it doesn't matter *why* the judges changed their minds—the fact is they have changed them and Roosevelt's plan is no longer necessary.

However, let us suppose the plan were to be adopted: the judges would then either resign or they wouldn't resign. If they preferred to stay on the Bench that means that we should have a fifteen man court. If there are any grounds for congestion today, think what it would be like if we were to have fifteen men—each trying to get his judicial opinion off his chest for every case that comes to the bar during the Saturday morning sessions. For, as you know, the Court acts as a unit and each case must be passed upon by every judge sitting on the Bench. Concerning this matter of adding additional judicial man-power, Chief Justice Hughes takes up the question in his book, *The United States Supreme Court*. He considers not a fifteen man court but only one of twelve men and states: "I verily believe that, if we were to have twelve men on the Court, we should accomplish no business at all or at least very little." In other words, it would take almost

twice as long to dispense with business if we were to have a twelve man court. There is nothing in the President's plan dividing the Court into separate divisions or panels for separate action.

Then, of course, there is the alternative wherein we can suppose that all judges over 70 resign; no, we can't suppose that either, because Mr. McReynolds has made it absolutely certain that he will not resign. He is so opposed to every piece of New Deal legislation that he declares he will sit on the Bench until his dying day if only to put the damper on the New Deal and all of its implications. So, if all judges over 70 resign but McReynolds, what does that leave us but a ten man court which is an absolute legal absurdity, for it merely opens the way for 5-5 decisions instead of 3-6, 4-5 or what ever they might have been in the past. To show the danger of such a situation, let us take the minimum wage cases. In New York, minimum wages were declared unconstitutional by the state court, while in Washington they were declared constitutional. If these cases came before the Supreme Court and a 5-5 decision were handed down, then minimum wages would be constitutional in one state and unconstitutional in another, destroying the most fundamental quality of law—its uniformity; and the highest court in our land would no longer be a supreme court.

Concerning the matter of congestion and delay in the courts, which Miss Atkinson urges as a reason for the President's plan, it might be of interest to pause for a second to consider the results of an investigation

that has been made into this matter since the President proposed his plan. The Supreme Court of the United States is found to be not behind with its calendar, nor has it been behind for several years. There is no congestion. It is true that the Court refuses to hear many cases, but that is because they come under principles already made apparent by previous decisions of the Court and there is no reason for taking further time or delaying cases that should be heard to re-pronounce decisions already made. Consequently, the Court dismisses such cases. And as to delay, it is not the Court but the lawyers who occasion delay, and sometimes the government itself, which wishes to have a law in force as long as possible before the Court is given a chance to throw it out. Even if there were a great deal of congestion and delay, one of the best authorities I know is against enlarging the Court to remedy it. Allow me to quote:

“In the face of this congestion the remedy commonly proposed is to add new judges or new courts. There is, of course, a legitimate demand in sections where the population has grown rapidly; but it will readily be seen that to apply this proposal in all cases is merely to contribute to the confusion; to add to the ravages of the disease; and, what is profoundly important at this time, to burden still further an already seriously embarrassed taxpayer.” The book from which I was reading was written in 1933 by a man by the name of Franklin Delano Roosevelt. It is entitled *Looking Forward*. Obviously, he was looking forward *then*, but if his arguments about old age and decrepi-

tude hold true, he, too, has probably become a little near-sighted and increasing age forbids that he look so far forward *now*.

This brings us to the most interesting point of the debate and that is the method for getting judges off the bench. The proposal states that "all judges over 70½ years of age shall resign." But we all know that those gentlemen over 70 are really not impaired in the least way either physically or mentally. The plan is just a means of getting four conservatives off the Bench at one time. However, what I wish to contend now is that by forcing judges over 70 to resign we should be losing some of our greatest judicial minds. John Marshall gave some of his finest decisions in the ten years he was on the Bench after reaching the age of 70. Mr. Justice Holmes was on the Bench ten years before he was 70 and for twenty years after that time, and some of his best decisions were given after he was 80. Our own Chief Justice Hughes, who is one of the four men who has continued to hand down liberal judgments during this period of social crisis, reached the age of 70 in 1934 and would have been off the Bench for three years were Roosevelt's plan in operation. And now we come to the greatest and most liberal man on the Bench, Mr. Justice Brandeis, who reached the age of 70 ten years ago and would have had his judicial career cut in half by Roosevelt's plan; whereas, all of his major decisions were given since he passed that objectionable age of 70.

Now what about this matter of the uncertainty of

law which is an important part of Miss Atkinson's complaint against the Court. She contends that interpretation by the Court finding law out of harmony with the Constitution renders law uncertain. Her contention impeaches the judges for doing the thing they are appointed to do, and implies that the majority is in the wrong because their opinions do not agree with those of the President or of Congress. But on the other hand, isn't it possible that the law may be written carelessly, hastily, and without due regard for the principles laid down in the Constitution? If it is the law that is faulty, let us change the law and not the Court. We can either re-write the law or amend the Constitution, but why destroy the independence of the Court because we do not always agree with its decisions? After all, someone must have the authority to decide such matters, and it must have freedom of action in so doing or our Supreme Court is no longer a supreme court but merely a puppet show with the President pulling the strings. Ours is a government of checks and balances and we impair that system as soon as we defeat the independence of one of the three branches of government.

Now, I should like to crystallize our thinking on this matter by saying that we are of the opinion that when emphasis is placed upon so flimsy a ground as age, and attack is made upon so flimsy an excuse as a bias in the minds of the judges, when these attacks are made at the sanction and by the will of a huge political majority ruled by a spoils system, patronage, bureaucracy, and all the other elements that necessar-

ily make up a major political party, we find that the Constitution ceases to have meaning separate unto itself. Were this plan to be adopted, we might just as well admit that the Constitution is Roosevelt. And if we divided that Constitution into its three co-ordinated branches of government, we should have Roosevelt's supernal goodness, his infinite wisdom, and his sovereign will. This is more power than any good man should want; it is more power than any bad man should have; all in all, it is more power than is needed.

In closing, I should like to leave with you a little law that I ran across the other day. It would be of great advantage if Mr. Roosevelt knew the law, and of untold interest for the lady and gentleman of the opposition to hear the law. If you doubt the wisdom of my parting words, you might ask any good baseball manager, and I know that he will assure you that you just can't strengthen a team by lengthening the bench.

**Second Affirmative, Maurice Atkinson**  
**University of Southern California**

**LADIES AND GENTLEMEN:** Miss Anker has appropriately compared the United States Supreme Court to a baseball team. She says that you can't increase the efficiency of a baseball nine by having more players on the bench. But I am under the impression that a longer bench always gives more support.

When Miss Anker concluded her arguments, it

seemed as if every one was in a bad way. My sister's arguments "had been refuted" and President Roosevelt was "near-sighted" and "decrepit" with age. I am afraid our friends are only repeating the arguments which were used against the President last November. These attacks are about as successful as those of the pugilist who, at the end of the fourth round, came back to his corner and asked his second, "Am I doing any damage to him?" "No," replied the second, "but keep on swinging; the draft might give him a cold."

You will recall that Miss Anker contended that Mr. Justice Brandeis would resign if the President's proposal becomes a law. Now naturally this measure will not force Mr. Brandeis to resign if he doesn't want to. It simply proposes that for every judge over the age of 70 who does not retire, the President be authorized to appoint one judge. As a matter of fact, it is not primarily aimed to bring about judges' retirements but to insure a liberal interpretation of the Constitution without resorting to a long process of amendment. The retirement clause is only a convenient and realistic way of realizing this. The people have indicated that they desired the New Deal by re-electing President Roosevelt by one of the most substantial popular majorities in history. But there is a grave danger that reactionary justices will prevent this demand from fulfillment. Now we cannot force judges to retire because they are reactionary, but we can fix an age for their retirement and appoint liberal men in their places or add more liberals if they fail to retire. No one wants Mr. Brandeis to retire,

and we do not expect him to retire. I am sure President Roosevelt feels the same way about it.

Miss Anker further contends that there is no congestion in the courts because those 87 per cent of appeals which were denied should have been denied. And she proves that these writs of certiorari should have been denied simply because, as my sister pointed out, the Court said they should have been denied. Evidently writs of certiorari are like the Constitution: they are what the judges say they are, and nothing can be done about it. But we believe something can be done to alleviate this evil.

As second affirmative speaker, I shall demonstrate that the President's plan is the logical solution to our judicial evils, because other alternatives will introduce greater evils. At the risk of being accused of creating and assassinating straw men, I should like to discuss some of the other proposals aimed to reform the Supreme Court.

The most frequently discussed alternative is that of a constitutional amendment granting Congress power to pass social legislation or to veto decisions of the Court. But such a proposal would have to be ratified, as the Constitution provides, in the legislatures or in specially elected conventions in three-fourths of the several states. Thus, thirteen states, certainly a minority, could prevent the passage of such an amendment. Now you will recall that Miss Anker contended that the wise way to solve the problem would be to change the law. Let us assume that in spite of the difficulty of ratification, this change has taken place. But the

judges are still able to interpret this change in the light of their own personal political convictions. This is what they have done with the Fourteenth Amendment. It has been warped and tortured beyond its original purpose of freeing the Negroes.

Another suggested solution is that more than a simple majority—no irony intended—be required to invalidate a law. Senator Norris is said to be in favor of a law which would require the adverse decisions of seven judges before a law is declared unconstitutional. The difficulty with this is that popular or liberal demand might not be able to muster seven votes to invalidate laws which might be passed by a reactionary Congress, such as laws abridging free speech, sedition and espionage acts, teachers' oaths, "red riders," etc.

Thirdly, it has been proposed that Congress or the several states deny the Supreme Court the power of judicial review. This has the same weaknesses as the foregoing measure. A situation wherein the Supreme Court would be unable to review the acts of Congress or the state legislatures when those acts violate the bill of rights is quite conceivable. Recently, in the case of *De Jonge vs. Oregon*, the Supreme Court overruled an Oregon law abridging freedom of assembly. In fact, the President's proposal relies upon the theory of judicial review.

Finally, a solution has been offered by Walter Lippmann, than whom there is no greater intellectual acrobat, not even Mr. Justice Roberts. Mr. Lippmann advocates the revision of the Commerce Clause. But there is more in Heaven and earth than is written in

the Commerce Clause. It is not the only basis for bad decisions by the Court. True, the question of social legislation by Congress usually involves this clause, but many other provisions are also involved. For instance, the case of *Hammer vs. Degenhart*, the Child Labor law, involved not only the Commerce Clause but the Tenth Amendment. And the Railway Retirement Act was thrown out not only on the basis of this clause but also upon the basis of the First and Fifth Amendments.

Thus, it can be seen that none of these proposals is satisfactory, and that the President's measure is the only remaining method which will effectively deal with the Court. And as has been pointed out often recently, it is, after all, the mildest proposal of reform since it does preserve judicial review unimpaired.

This brings me to the final affirmative contention, which is that the President's plan will prove beneficial, first, because it will remove the uncertainty in Supreme Court decisions. As the Court is presently constituted, Mr. Hughes and Mr. Roberts have the power of dictators. They may decide the entire future of our economy. They may invalidate minimum wage laws one time, uphold them another, erase the precedent of *Adkins vs. Children's Hospital* and leave *Tipaldo vs. New York* on the books. Or they may, as in the case of Mr. Hughes, say that freedom of contract is implied in the Constitution and later deny that it is therein implied. Now we do not contend that the justices appointed by Mr. Roosevelt will always be liberal, but we do say that a majority of twelve-to-

three is not as much of a gamble as a fickle majority of six-to-three.

Secondly, this proposal will prove beneficial because it will hasten decisions involving constitutionality. The bill specifically provides that cases involving the constitutionality of Acts of Congress shall precede all other cases. These may be appealed directly to the Supreme Court and avoid much congestion thereby. In the case of the AAA and NRA it was necessary to meet emergencies. We could not wait for the decision of the Court. When those decisions were finally made, millions of dollars were lost to the government and thousands of people thrown out of governmental employment.

Therefore, because there is congestion in the courts; because their personnel is inefficient; because their decisions are uncertain; because the President's plan is the most logical solution to meet these judicial evils; and because it will prove beneficial, we contend that Congress should adopt President Roosevelt's plan to reorganize the Supreme Court.

Second Negative, James Logan  
University of Redlands

LADIES AND GENTLEMEN: Mr. Atkinson is correct in saying that he incurred a risk of setting up straw men and knocking them down again. His entire speech did practically nothing but set up straw men and knock them down again. His logic is quite fallacious. He says that because the alternatives to the

President's plan will not work, therefore, the President's plan will work and is the logical plan to adopt. Then he proceeds to knock down those straw men—the alternative plans—one by one, and claims in conclusion that he has proved the President's plan to be a good one and the logical one to adopt. He has proved no such thing. His entire speech is absolutely outside of this debate and has nothing to do with proving that the President's proposal should be adopted.

Consequently, there are only a few contentions left in the affirmative's case which we can consider in this debate. The first major contention made by Miss Atkinson was that there is congestion in the Supreme Court and the plan should be adopted to relieve such a condition. She has said that every justice has to take care of twice as many cases as in 1913. I would suggest that Miss Atkinson again examine the letter from Chief Justice Hughes to the Senate Judiciary Committee. According to that letter, actual statistics show that in 1932 there was a decrease over the previous year of 8.6 per cent of cases left on the dockets after the Supreme Court term was over. In 1933 there was a further decrease of 18.7 per cent in the cases that could not be considered. In 1935 there was a decrease of .8 per cent. The total decrease from 1930 to 1936 was 26.6 per cent, showing that the Supreme Court has actually been getting ahead of itself that much. Where is the congestion? Miss Atkinson must have had dreams. There is no congestion. The Supreme Court is farther ahead on its

docket than it has ever been in the history of the United States.

Yes, says Miss Atkinson, but that is because, through insufficient personnel, the Supreme Court has refused to hear about 800 cases a year. It might be wise for the Affirmative to make a study of the procedure of the Supreme Court. The cases which the Supreme Court "refused" to hear were quite well examined by every justice on the Bench. They were nothing more than applications for reviews on writ of certiorari; they were not even appealed cases. I quote again from Justice Hughes' letter: "I think that it is safe to say that about 60 per cent of the applications for certiorari are wholly without merit and ought never to have been made. There are probably about 20 per cent which have a fair degree of plausibility but which fail to survive critical examination. The remainder, falling short, I believe, of 20 per cent show substantial grounds and are granted." Every one of these cases was considered by every judge to decide whether or not the applications had grounds to be reconsidered. Questions on certiorari are questions of law, says Mr. Hughes, and when there is no question of law in a case that has not been decided by a lower court, when the only question is one of fact, the case is without merit so far as retrial in the Supreme Court is concerned, which is true for the so-called 800 cases Miss Atkinson mentions. In other words, the cases were rejected on a point of law and justice, not expediency as the Affirmative have misinterpreted the condition to be.

In spite of the fact that the Affirmative has claimed we are not taking care of some 800 cases each year, they are inconsistent enough to contend that we need quicker justice. Again may I refer them to Justice Hughes' letter in which he points out that it usually takes only two or three weeks to consider a case in the Supreme Court. Delay does not result in the Supreme Court, but in the appeal of cases to the Court. What delay is caused is not due to the judicial system, but due to the maneuvering of legal strategy by lawyers, and the plan of the Affirmative will in no way affect this condition.

I should like to point out that even if the conditions mentioned by our opponents were true, the plan of the President would be impractical in solving the congestion problem. Changing the personnel of the Court would not prevent congestion; if anything, more congestion would be caused, because more judges would have to pass upon the legislation. The plan would not obtain quicker justice, because the passage of cases from court to court is not changed. More cases could not be considered, because merely changing the personnel of the Court would not change the merit of the cases which any Supreme Court would refuse to reconsider.

The only trouble with Mr. Roosevelt and the affirmative team is that they want a new constitution and the only way they can get it is by changing the Supreme Court. They cannot get it by amending the Constitution, the method approved by the American people, so they have to use a method whereby the tra-

ditional political puppets may be brought into use. Political puppets? Yes. That, replies Miss Atkinson, is the only way to have control over the federal judicial system. Well, we should like to ask who wants the federal judicial system to be controlled? Why should it not be independent as any judicial system should be? Why? "Because," say the Affirmative, "we cannot get the legislation we need without ruling the courts."

We have obtained the legislation we needed for 150 years under our democracy without ruling the courts, and the only time we tried to reduce the powers of the Supreme Court by refusing to stand by its decision, we had a Civil War. It might be a good time to ask the Affirmative just where is all this emergency legislation or needed social legislation which they claim cannot be obtained without the President's plan? Some few months ago, the President sprang a surprise on the American public with his proposed change. In his message to Congress, which he sent along with a fully written bill in the exact wording he desired, he said, "I attach a carefully considered draft of the proposed bill." Carefully considered by whom? By himself? Miss Anker has already spent quite a lot of time pointing out that the need used by President Roosevelt has been exploded, not only with the use of a little college logic, but also by recent Supreme Court decisions. We need minimum wages; we can get minimum wages now according to the Washington State decision. We need railway pensions, and we find that they are now valid. We need child labor legislation,

and we find in spite of the amendment before the states now, that we can get it due to the interpretation in the Wagner labor decision. We need collective bargaining and a control of industry on a production basis instead of a strict interstate commerce basis, and we find that the Wagner decision gives us that. We need agricultural adjustment, and we can have that. We need another NRA, and all legislators admit that it can be obtained merely by rewording the old one so as not to delegate supreme power to the President. Ladies and gentlemen: what legislation is there that we cannot get? We cannot find any, and the affirmative team in this debate has been unable to give us any. I quote again from President Roosevelt: "I assume the solemn obligation of leading the American people far along the road to recovery which they have chosen to advance." It has always been my understanding that the will of the people in this recovery program was that F.D.R. should be President of the United States, not Chief Justice of the Supreme Court. I think it is about time for Mr. Roosevelt to forget his sensitive nature and the "insults" the Court has given him by opposing him; he might find time to be our Chief Executive.

The real issue of this debate is how far Mr. Roosevelt is willing to trust the people. The people gave Mr. Roosevelt absolute executive and legislative leadership, trusting in him to obtain recovery and to maintain our check and balance system of democracy. The Supreme Court is a necessary part of our government. Any attack upon its character weakens the judicial

branch of our government. The attack has not been made upon the institution of the Supreme Court; no, the attack was much more degrading than that, it was against the personnel of the Court, intimating that the judges are not competent, or are biased, or do not know the Constitution.

The opposition seems to forget just what democracy is in their plea for adequate representation without a biased check. Democracy is not just the momentary will of the people upon specific recovery just now, or upon specific legislation. Democracy is expressed in the Constitution just as much as in the statutes of Congress. Democracy is a check upon the majority in the interests of the minority just as much as it is a passage of bills by the majority. Democracy lies in the appointed Supreme Court established for legal purposes, just as much as it lies in the Presidency established for political reasons. If this plan is sanctioned by Congress, the Constitution will have little meaning, because in effect it can be amended merely by a majority vote of Congress instead of submitting specific amendments to the people for ratification. Why is the President unwilling to trust the people?

The independence of the Court must be preserved. If any change is made, it should be made in good faith, by a presentation to the people in a recognized amendment that will permanently clear up the situation. Mr. Roosevelt may be legally sound in his proposal as far as the Constitution is concerned, but he is morally unsound in his proposal as far as the people's intent in the Constitution is concerned. The amendment

system is the best and only way the people have to settle such disputes, and we remind the opposition that the average time to ratify the last nine amendments was only sixteen and a half months. I dare say it will take longer than that for the President's proposal to pass the Senate.

The Affirmative has not shown sufficient reason in this debate for the adoption of the President's proposal. It has shown no need for the plan, and it has not shown any practical method of alleviating conditions of congestion which it claims exist. It has given us no legislation that we need in such a hurry that we have to change our judicial system. Consequently, since we have shown that great evils may arise out of our adoption of this proposal, we contend that it should not be adopted.

**Affirmative Rejoinder, Marjorie Atkinson**  
**University of Southern California**

MR. CHAIRMAN, LADIES AND GENTLEMEN: It took some little coaxing for me to agree with my brother, Mr. Atkinson, in regard to the aspects of this question, but no amount of coaxing could entice me to surrender my feminine right to the last word.

I should like, in this brief period to consider the most outstanding charges which the Negative has brought against our case and show that they are not valid.

You will remember that the first charge Miss Anker made in regard to my argument that the present system invalidated legislation on the basis of "uncertain"

law, was that, "If it is the law that is faulty, let us change the law and not the Court." Now, whether or not we should change our Constitution, I am sure Miss Anker will agree, is another question for discussion. Perhaps the law does err, but we have contended, you will recall, that simply because the law is uncertain, we should be all the more dubious of considering judicial decisions as final and irrevocable. We have not laid the evil at the feet of the Constitution, but at the rigid interpretation of uninterpretable law by the Court. Since, then, Miss Anker agrees that the law is uncertain, she will agree that we should not be bound by interpretations thereof.

Then, at the beginning of her constructive argument she told you that had our debate taken place three weeks earlier, she would have concurred with the Affirmative side, but since the Court has reversed itself on three important cases, she claims that there is no longer a need for the Affirmative proposal. We have then but to demonstrate the stupidity of waiting years for reversals before legislation can be made into law. The Income Tax Law had to wait twenty years to be reversed. So the impracticality of reversals is seen. Reversals are also bad political theory. Our Court is composed of both liberals and conservatives, whom I am gravely tempted to call reactionaries; and then there are two men in the Court who waver back and forth. Must we have a government that is run upon the hypothesis of Justice Roberts's substantial breakfasts which put him one day in a liberal mood, and the scanty ones that put him the next in a conserva-

tive? The utter stupidity of reversing decisions demonstrates only further that the law is uncertain; that decisions are not final; that they are doubtful in many cases. Is it not, then, just as easy to have a Court that is in sympathy with the administration's interpretation as it is to have one in antithesis? Therefore, we see that there is still a need for the President's proposal, the same need that existed three weeks ago when Miss Anker agreed with us.

Then, thirdly, they presented us with a dilemma in which they contended that under an operation of the plan the judges would either resign or they would not resign. If the six "old men" did resign they claimed that the Court would be packed with Roosevelt's puppets. Then Mr. Logan, quite inconsistently, argued that judges did not necessarily do on the Bench what they had been appointed to do, so how can the first argument in the dilemma stand? Further, we have pointed out that it is better and more progressive to have a Court that is in sympathy with the President and the legislature, which represents the people, than it is to have a Court that thwarts every evidence of progressive law. So we see that the first horn of the dilemma does not stand. Then they claimed that if the six justices did not resign and Roosevelt appointed six more that that would make a fifteen man Court and cause more congestion. Frankly, we cannot understand this reasoning. We have shown that the Court has not been able to handle 87 per cent of the cases presented it because of insufficient personnel, and we have, therefore, recommended a larger, even a fifteen

man Court; so that the machinery of government may be speeded up. We have shown that there is legitimate argument for a larger Court to relieve the present congestion, to pass more quickly upon congressional legislation so that the government may be saved both time and needless expense. A fifteen man Court will relieve congestion, not cause it.

Further, in discussing the retirement of judges, the Negative contends that Mr. Justice Brandeis, the great liberal, will retire. As a matter of fact, the President's proposal is designed to prevent this very thing. No judge is forced to retire. Besides, we still do not believe that Mr. Brandeis is planning to retire; but even if he does, there are other liberals to take his place. And they have pointed with admiration to Justice McReynolds, whom they cited as having said that he would remain on the Court if for no other reason than to kill New Deal policies. Now, I showed you in my constructive period that, acting as Attorney General, Mr. McReynolds himself was a proponent of similar measures for dealing with the Court. The fact that he is now opposed to such a move when it will affect his retirement demonstrates his reaction. McReynolds, who has not been able to write an opinion all year, acting upon the premise that "the Constitution is what the judges say it is," will remain on the Court to kill the New Deal! Ladies and Gentlemen, does this not show the need for some plan whereby new blood may be infused into the Court?

Finally, the lady and gentleman have contended that the proposal destroys our system of checks and bal-

ances. To this we ask, "What system of checks and balances?" True, there are checks upon the executive and the legislature, but the Supreme Court has gone unchecked since the days of John Marshall.

In conclusion, the affirmative arguments cannot be disproved by any attack upon President Roosevelt's sincerity. Certainly his re-election was a mandate to preserve the New Deal. He promised that he would do this by constitutional measures, and he is now proposing to do this by getting a Court which will interpret our Constitution in the light of the people's needs. Our friends seem to question the altruism of the President in simply doing what the people demand. May we remind Miss Anker and Mr. Logan that "mud slung is ground lost"?

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# THE EXTENSION OF CONSUMERS' CO-OPERATIVES

*An International Debate*



## THE EXTENSION OF CONSUMERS' CO-OPERATIVES

### *UNIVERSITY OF DETROIT AFFIRMATIVE VS. UNIVERSITY OF NEW ZEALAND NEGATIVE*

On a trip comprising forty or fifty debates in the United States as part of a world tour of English-Speaking countries, the University of New Zealand debaters met the team of the University of Detroit, April 15, 1937, at the Cass Technical Auditorium, Detroit. In addition to debating before a large audience the speeches were broadcast over the radio. Both teams had admirable records throughout the season in decision debates, winning approximately all of their contests. The debate at Detroit was won by the home team, the first defeat met by the visitors up to that stage in their trip. Dean Daniel J. McKenna of the Law School of the University of Detroit presided over the debate and the judges were: Hon. Vincent M. Brennan, Judge of Wayne County Circuit Court; Hon. Sherman Callendar, Judge of Wayne County Circuit Court; and Hon. Albert B. Durham, Manager of the Royal Bank of Canada at Windsor, Ontario, Canada.

The statement of the question was: *Resolved: That the extension of Consumers' Co-operatives will contribute to the public welfare.*

The speeches were collected and contributed to *Intercollegiate Debates* by Professor A. E. O'Konsky of the Department of Speech of the University of Detroit.

First Affirmative, Joseph G. Rashid  
University of Detroit

LADIES AND GENTLEMEN: This evening's debate, as you probably know, marks the fifth and final in a

series of five debates with the gentlemen from New Zealand. We have enjoyed our guests from across the waters. We have found their wit and humor both informative and entertaining. While taking the gentlemen through Mr. Ford's Museum on Sunday, one of them remarked that we Americans were a fast living type of people, and that he could not become accustomed to our eating in drug stores and dashing into a White Tower for a hot dog. We attempted to explain that there was need for all this haste, and in the midst of our conversation and explanation we heard a guide telling us to "back up two stairways and turn over two aisles." Of course, our guests, being gentlemen of the first order, refused to do such a thing. The most peculiar thing about us, Mr. Pledger claims, is that we drive our automobiles on the wrong side of the street.

However, let us direct our attention to the more serious side of the evening's program, the discussion of the problem at hand. It is said that whenever the President of the United States receives foreign ambassadors, written speeches of their remarks are exchanged. On one occasion the President and a foreign minister had exchanged speeches; and when the foreign guest entered the room, the President extended his hand and said: "Mr. Minister, I have read your speech, and you have read mine. Let's you and I sit down and have a friendly chat." We, tonight, have not exchanged speeches; but we have the same attitude. We feel that you, Ladies and Gentlemen, know more about the proposition than we, and we should like that

you and we just sit down and have a little chat about consumers' co-operatives.

The Chairman has told you the subject for debate, namely—Resolved: That the extension of Consumers' Co-operatives would be beneficial to the public welfare. It may be well and quite apropos that we do not define what we mean by the term "extension of Consumers' Co-operatives" alone, but rather to the general buying masses at large. We can best define a *consumers' co-operative* by an illustration. Let us assume that a given community realizes that the wages its members earn, and the price that they pay for their commodities, are not proportionately balanced; that the price of commodities is in excess of the earning power. The next step is an initial investment, which investment is accumulated by assessing each member of the proposed co-operative. The aggregate sum is used to acquire the commodities, to maintain premises and clerks for their distribution. The primary purpose and objective being the acquisition of commodities at wholesale rates and the distribution of these at cost. As the co-operative progresses, dividends are paid to the members to offset the initial investment.

Those of you here tonight will remember the conditions in America previous to 1929; you will also recall the conditions in America after the year 1929. I need not bore you by repainting that dreary depression picture. The story has been told and retold. We struggled to adjust the relationship between capital and labor, and in our efforts we tended to forget an all important entity in our economic and social order, the

*consumer.* Andrew Carnegie was once asked what he thought the most important in industry: capital, labor, or brains. He answered which is the most important leg of a three legged stool. Hence, we would place the consumer in the same status as any of these in our world of buying, selling, living and earning. Ruskin is quoted as saying: "It is the manner and issue of consumption which is the real test of production, and consumption is the end, crown, and perfection of production. A wise consumption is more difficult than a wise production."

Roger Babson is cited in a local newspaper as saying that it is the public that ultimately throws men out of work. Unless the public buys goods and commodities, unemployment will continue. Perhaps no truer statement has ever been made. But we must recognize that unless the American consumer has the means to buy, he cannot consume goods or rather, let us say, there cannot be an increased consumption. From 1909 to 1929, the per capita income tax of the American citizen increased from \$33 in 1909 to \$437 in 1929, but during these same years the price of commodities increased in far greater proportions. The farmers' income dropped from \$17,000,000,000 to \$5,000,000,000, for he was paid only one-third as much money for the same amount of produce. In 1932, we were groping along panicky and hysterically and then came the advent of the N.R.A. Again, as you know, the National Recovery Act was intended to do certain things. First, to shorten working hours and to increase employment. Second, labor was to be paid

a higher wage to increase the relative purchasing power of the consuming public. Third, and most important, there was to be an absorption of the rise in costs by industry itself, so that the increased purchasing power of the farmer and laborer would not be neutralized by rising prices.

Did the N.R.A. accomplish its purpose? On the contrary, and the answer is a harsh, but correct, negative. As much as we dislike the use of statistics, we find them quite necessary in this instance. We find that while total payrolls increased, individual incomes decreased. The average work week was decreased four and a half hours, while the average wage increase was five and a half cents per hour. We may ask you to note this particularly well. The average wage earner's income increased by three cents per week, from \$20.53 to \$20.56, while farm products had increased 25 per cent. Food prices in the first year increased some 7 per cent and the cost of clothing went up 21 per cent. The *New York Times* in one instance points out that commodities over a year period had increased 30 per cent.

We in Detroit are familiar with the attempt of labor to increase wages by means of strikes. The ultimate goal of the laborer is to better his living conditions by increasing his purchasing power. But what has been accomplished? Let us take one simple and naïve illustration. Just two days ago, the price of bread was increased one per cent. A slight increase, but it is illustrative of the fact, well-known to you all, that the cost of living has generally increased. Rents have

been doubled. And thus we again can rightly conclude that the wage paid labor is much less than the price of the commodities he needs for his sustenance. Wages have tended to be decreased and the cost of living increased or let us say, for accuracy's sake, that the cost of living increases with greater strides than the earning power of the consumer.

Is there a solution, you may ask, or is the situation a hopeless one? Is it the contention of the Affirmative that the solution lies in the consumer co-operative? Let me point to one or two more situations that would enhance the need for collective action on the part of the consumer. In certain industries we find a peculiar type of monopoly. For example, patent holders of certain types of shoe manufacture require a royalty for every pair of shoes sold. This is paid by the manufacturer and passed on to the ultimate consumer. Let us consider an illustration in the public utility field. Private electric utilities refused to electrify the rural districts, and they could not be compelled to do so. Then the Federal Government passed the Rural Electrification Act, which made farmer co-operation for the electrification of farm districts possible. These instances will suffice for the moment to show that there is necessity for consumer co-operation in many fields.

Let us turn our attention to an examination of some of the consumers' co-operatives at home and abroad. The first consumers' co-operative really began in America. We are informed that our tobacco exporters combined to buy ships to save shipping costs in the transportation of tobaccos. For our purpose, however,

we shall be content with its beginnings in the year 1844 in Rochdale, England. During the first year of its operation, it grew in membership from 28 to 80. It increased its working capital from \$140 to \$900. Today, we find 16 per cent of the total population of Great Britain members of co-operative societies. These societies do 12 to 15 per cent of the total retail trade of Great Britain, and its sales have increased 147 per cent in the last twenty years. The President of the Bank of Finland will further substantiate the allegation that consumers' co-operatives have been successful in Europe. Quote: "Another Factor in our Recovery is the small cost of distribution, and one reason for that is the consumers' co-operative movement." In the Netherlands the number of individuals in the Consumers' Co-operatives was over 3000 from 1929 to 1935. May we return to the situation closest to the opposition—London, England. There we find 300 branches, having a membership of 300,000. Just one more illustration of the success of the movement in Europe. Out of the 22,000,000 people of Scandinavia, 9,000,000, or 40 per cent, are dealing through co-operatives. I have asked you to consider the European situation with me, and my colleague will inform you of the success of the movement in America.

Did you, Ladies and Gentlemen, ever stop to consider what portion of your incomes is spent for necessities, or just how you spend your money? The figures show that the average workman spends his money in the following ways: Food 27 per cent; general merchandise 17 per cent; clothes 9 per cent. How can we

reduce these percentages? It is our contention that this can be done, just as in Europe, by the extension of the consumers' co-operative.

The solution we suggest tonight is quite a natural one. I recall a few years back in one of the Philosophy classes in the Arts School, I heard and retained this very important principle—that man is essentially, or by nature, a social being; that he is, therefore, dependent on his fellows. The consumers' co-operatives embody this principle in its operation and its purpose. For what is more natural in human society than the combination and collective action of its members working together for the common end and benefit of all. Ladies and Gentlemen, until the time that labor is given the opportunity to realize its natural rights to a portion of that which it produces, we shall ever be in fear of economic chaos and social unrest. If the consumers' co-operatives can do this, they have accomplished a great service to a troubled world that is besieged with unfair competition, engineered by artificial agencies and persons known as corporations.

My colleague will point out the success of the movement in America; and then, finally, he will show you that the success of the movement means a definite stop gap against the present inroads of fascism and communism.

First Negative, Eustace F. Pledger  
University of New Zealand

LADIES AND GENTLEMEN: I thank you very much indeed for your welcome here tonight. We have been

struck everywhere by the remarkable and wonderful hospitality of the American people, and nowhere have we been struck more by this trait than in your own City of Detroit. And in our behalf, my colleague and I wish to express our appreciation to the University of Detroit, and especially to Professor O'Konsky, for the wonderful way he has organized our visit. At this University, too, we found that they had discovered, much to our amazement, an ideal woman and, more to our understanding, the ideal man—none other than Mr. Rashid over here.

Now, we are in the United States on a goodwill debate tour. We are here to find out just how your young people are thinking. We are here to tell you how we think—when we do. Our Chairman remarked how superficial are the differences between our peoples. Mr. Rashid has already told you how, at the risk of life and limb, we have at last become accustomed to all the mighty cars I see going down the wrong side of the street. We have learned to call a "rout," a "route"; and a "girl friend," a "date." It seems to me that these things are really only fundamental differences; and I think that there is a growing realization here that some fine day, and some day shortly, we shall get together and do something about this crazy world in which we live.

Now, let us get down to the subject of this debate. Practically as soon as I arrived in Detroit, I was speaking to a gentleman here and I was expounding to him some of my liberal ideas. He said to me, "But how can you take the negative side of that debate

when you told me yourself that your idea was to elevate the underdog?" He continued, "I think you are two-faced." Said I to him, "Well, of this much I am quite certain; that you are not two-faced, otherwise you would not have come along to see me with the one you have." And that simplifies our general attitude throughout this debate.

We think this plan is impeding and will impede the carrying out of some satisfactory extreme for social betterment. Now, I shall show you that these co-operatives will not save what they are supposed to save. I shall go on to tell about the question of how they will impede attempts at social progress and attempts to put into effect a social program. Finally, I shall explain just how the plight of the average man can be improved; and I shall deal with this business which troubles people so much, namely, how are we going to prevent wages being canceled out by price increase.

The first point: How are you going to save? You know that in your present economic organization you rely upon profit as the motivating force in these concomitant circumstances, and how this plan will not operate as efficiently as it would do under the head of private enterprise. Secondly, competition is absent. When I buy from a co-operative, I buy from that concern irrespective of whether I could deal on slightly better terms with another trader. Finally, these consumers' co-operatives are on a small scale. They cannot compete with these larger firms which we have operating, and those larger firms will take advantage of

this opportunity to make commodities available at a cheaper rate. What is more, the extension of these consumers' co-operatives is going to stop private endeavor. I always understood, and I still believe, that America is the land of enterprise, of endeavor, of individualism. We believe in our ideals, too.

My colleague, who is quite a principal in his own country, says, "I am a self-made man." I have thought this over and the only adequate reply I could make was, "Yes, I thought you were. You look like the product of unskilled labor." But generally speaking, we must preserve that private endeavor. It was the secret of your progress, and is the secret of your further progress. We do not maintain that we should destroy completely this work. No, we shall put some control over this, but we must not destroy the consumers' co-operatives' work.

Now, let us look at another aspect of the work. Sometimes, you know, a country requires a little bit in the way of taxes to keep things running, somehow or other we find that we have to spend money on social services, on education, and on other things. Try to imagine just how these consumers' co-operatives would effect that situation. We hear much of the return of dividends. Those dividends go back to the small bankers, to people who are not normally in the income tax class. If they had not been returned as dividends, they would go as profit to larger capitalists, and would be used by the government to keep the country growing.

I am inclined to believe that we must have those

forces of taxation there before we can carry out any further plan. Finally, let us say that a co-operative would not work in actual practice. Then you are going to return to the workman 10 per cent on his purchase. Now, I understand from figures I have seen, that the average American income is something over \$400 per capita a year. So, 27 per cent of that \$400 and 9 per cent, spent on clothing, would be terrific that year. Therefore, if I had the honor to be an American workman, I would collect about half a dollar a week in dividends. I would go and spend this money on the necessities of life—I would buy more for my wife and children, or I would spend more on their education. Yes, wouldn't I?

No, I would go and gamble the thing away. I would put it in slot machines. I might even spend it on beer. These things sound all right in theory, but put them into practice and you will see how they work. You have also got to consider that if you are settling social evils and you intend to do it by the co-operative plan, only a small percentage of the people will benefit. You know how at the present time we have to take care of chronic invalids, and so on, and all these people—thousands of them, maybe millions—could not belong to co-operatives. I have shown you the revenue would decline, and they could not be supported, there being nothing to take care of them with.

Now, I want to say a few words on this problem which is worrying my opponent about bank advances being born. All these strikes are a vain attempt to increase your living standards. That is the question.

That has been attempted, I think, by Doctor Townsend and many other people. Then face the thing from this angle. There is a shortage of purchasing power. We must go like a bullet gauge and put some more dollar bills into a trust, and so on and so forth. That is why we come to so much trouble in our government. We don't have counteracting factors and forces.

Now, as you have been told, we come from New Zealand. We have there a little paradise, and that country has earned for itself the title of the social laboratory of the world. We have always been liberal minded. We have recognized that communism and fascism are doctrines of necessity, and so we set to work to steer a middle course. We employ liberalism and pursue every method we can of achieving social betterment. Now, I am not doing this in any spirit of boasting, but by this we can justly claim that we have gone a long way toward solving this whole social problem. We have tried everything, and every time it just seemed to fizzle out. If there had been anything good in the soil, the growth would have been better than anywhere else in the world. Now, our program runs by national utilities and public utilities. Thus, we get over that difficulty about the founders and farmers in the rural areas. They could not get their electrification. They banded together to get that commodity, that necessity. By nationalization, we have taken this commodity out of the hands of private ownership because it was so necessary to the public welfare. Other industries and other products are subject to regulation and control. We have heavy income

taxes and land taxes on companies and corporations and individuals in the higher grades of finance, and that revenue is just turned around and put on the other end of the social scale. We have our minimum wage legislation and those minimum wages are prevented from becoming maximum by the strong industrial unionization of labor.

Not a militant unionization, but an incorporation of unions under statute and government control. We have maximum working hours, too. We cancel this problem of price advances and canceling out wage increases simply by going into price fixing. We fix the prices of staple commodities of wheat, which governs the price of bread, of fruit and dairy produce; and by doing that and by setting up a special court, which we have to investigate price advances, we insure the fact that wages are not canceled out.

There is another item that goes to make up trade plans, namely, we have not considered the financial point of a consumers' co-operative. These consumers' co-operatives have to be financed, and they will be financed by the little individual. We all know what happens when it becomes necessary to scratch and save to put money into a financial plan, or when we divert money from consumable goods to the capital expenditure, and that is just what is happening. Instead of wages going into farm produce they are going into building accommodations and premises for co-operative societies and capital expenditure. Finally, I want only to say this—that I wonder what would happen if we didn't have capital to blame for this, for

that, and for the other thing. We blame it for oppression, for depression, for suppression, for the lack of civil expression. In these contrasting times, it is so easy to destroy; and it is so much harder to build it up again. Remember to look at the problem as a whole when someone says, "Take these consumers' co-operatives. A good idea, maybe, but are you going to impede the risk of your social progress in its operation and sales?"

**Second Affirmative, Abner A. Hamburger**  
University of Detroit

**MR. CHAIRMAN, LADIES AND GENTLEMEN:** It was indeed interesting to hear the very brilliant speech of the gentleman from New Zealand; and I took a great deal of pleasure out of his remark concerning the ideal student of the University, my colleague.

I really intended to preface my remarks this evening by stating that I am happy to see so many beaming faces here tonight. But since the house electrician has just dimmed the lights out there, and I can't see many of your faces any more, my intended opening sentence has lost its effectiveness and I am forced to discard it.

I cannot help but feel that Mr. Pledger's remarks are somewhat akin to the old fashion hoop-skirts the women of almost a century ago wore. You remember they went all around the subject without touching it.

One of the first statements that Mr. Pledger made was to the effect that consumers' co-operatives do not

return very appreciable amounts to members. And I believe he also stated that the profits which were returned to the members on their purchases would not find their way back into production and increased consumption, but would for the most part be spent on slot machines and beer. At least, he stated that he would spend his returned profits on those things. I would like to state that he would not even participate in this debate tonight until we had promised him we would buy him some beer after it. But seriously, if we examine available statistics we find that the profits returned to members are quite appreciable and do raise living standards of participating members. For example, three consumers' groups in Minneapolis which began with a capitalization of \$75 were able to do a business of \$20,000 in their first year; and their business totalled \$65,000 the second year. And here is the important point: they were able at the end of the second year to return a patronage dividend to members amounting to \$20,000, which I believe you will agree is an amount worthy of consideration.

I dislike to bore you with quotations and statistics; but before closing the discussion on returned profits, I would like to quote Emily Bates, one of the members of the Commission appointed by President Roosevelt, to examine consumers' co-operatives in foreign countries. In their report, submitted to the President just this past March 11—less than one month ago, we find this statement by Emily Bates: "Patronage dividends of co-operative enterprises offer women a way to supply their families' needs efficiently. The broad

cultural and educational effects of co-operation concern them deeply as wives and mothers."

So we see that Mr. Pledger's assertion that profit returns of co-operatives are merely superficial, is at variance with that of accepted authority as well as available statistics.

Now, the first negative speaker has also asserted that consumer co-operatives stult competition, that they cannot compete with larger firms, and that the co-operative movement will retard private endeavor. If I recall correctly, this assertion was not supported by evidence of any nature whatsoever. In contrast to this unsupported assertion of the opposition, let us examine some of the individual expressions of members of the President's Co-operative Commission which I referred to previously.

Mr. Clifford V. Gregory commented that while consumer co-operation in Europe has assumed the proportions of big business, it has not ruined private business. He also stated: "The two forms of enterprise are in keen competition. There is no indication that either is about to crowd out the other. Each is more efficient because of the other's competition. And because of that competition, consumers are getting the most of the benefit of increased efficiency."

Another member of the Commission, Charles Stuart, has stated that consumer co-operation in Europe has not destroyed private trade or endeavor. Mr. Leland Olds, another member of the Commission, formed the same opinion as has also Mr. Jacob Baker. Their unanimity is irresistibly persuasive. It leaves no room

for doubt. And so I say, in contrast to the unsupported statement of the opposition, that consumer co-operation can effectively compete with large scale private business; with consumers, the American public, benefiting from their mutual increased efficiency.

Now, before considering other statements made by the speaker from New Zealand, Mr. Pledger, I would like to review, for the sake of clarity, the position that we of the Affirmative have taken. My colleague has reviewed, at great length, the conditions in our country which have made the introduction of the co-operative method of distribution not only expedient, but necessary. He has called to your attention that the per capita income of the average American has not increased in proportion to price increases of commodities. He has pointed out that purchasing power lagged, as prices rose rapidly, while wages rose slowly, with the result that immediate and drastic wage cuts followed, and wholesale dismissals became in order, which all intensified the downward drop of purchasing power. Because the making of profit has been the sole motivating condition, all else has been sacrificed. The right of the consumer has been ignored. Every principle of democracy, economy, and common sense has been violated. Motivated solely by profit, the whole history of the American industry has been a story of wild booms and wilder collapses. We have had want in the midst of plenty; people in breadlines while commodities were being destroyed to uphold the profit motive.

My colleague continued by showing how we turned

to government supervision as an answer to our problems: to raise wages, establish minimum hours, and to stabilize commodity prices. We all remember that the plea was made that there should be no raise in prices so that increased wages under the N.R.A. would result in increased purchasing power and resumption of production. The first Affirmative speaker pointed out why governmental supervision failed in the United States. Because prices rose in excess to the proportion of wage increases in spite of all the attempts on the part of the government to bring about the contrary result.

Mr. Rashid has shown that the spread of strikes we are now witnessing is another attempt to raise wages so that the average laborer can enjoy a better living standard. But time has proved that increased wages merely result in higher commodity prices because capital refuses to share profits with the worker.

It is here, Ladies and Gentlemen, that we find the benefits of consumers' co-operatives. Namely, as a means of increasing the salaried employee's living standard—not through wage raises that we have shown have proved ineffective, but rather by permitting him to purchase more commodities with his present salary, just as the weavers of Rochdale were able to purchase more on their meager salaries through consumers' co-operatives.

By the elimination of profit through the co-operative method of distribution, we are able to increase buying power by 10 per cent. The result is obvious. Increased purchasing power results in increased produc-

tion. Increased production results in increased employment, with the final result that through more steady employment and by the purchase of additional commodities, which the workingmen cannot now afford, the standard of living of every wage earner is raised. Thus we find that by the extension, a normal logical extension of consumers' co-operatives, we are able to benefit the general public.

Mr. Pledger of the Negative attempted to leave the impression that the consumers' co-operative movement is just another theory or fad that will merely impede some real attempts at social betterment. What that real attempt at social betterment will be, he did not tell us, unless perhaps he has reference to government supervision. Government supervision in the United States, we have proved, has failed whenever attempted. Success of government supervision in New Zealand, the social laboratory of the world as Mr. Pledger calls his country, does not mean success of government supervision in the United States. I also take exception to his remark that consumers' co-operatives are merely a theory. Here, in the United States, we have practically as many different types of co-operative societies as we have different types of private businesses. There are consumers' co-operatives that operate under the general name of "retail stores" selling groceries, dry goods, and farm supplies. Consumers' co-operatives also include such enterprises as insurance societies, such as the tremendously large New York Life Insurance Company, or the well-known Detroit Automobile Club. They also operate hospitals, sick benefit asso-

ciations, housing associations, publishing companies, and many other types of business enterprise. Farmers have also organized co-operatives for the purpose of selling their products, such as the Sunkist Orange Growers of California.

An economic method of distribution, which this year alone has a membership of over two million in America and has more than 6,500 Consumer Co-operative Societies doing a business in excess of a million dollars a day, is much more than a mere paper theory or fad, as Mr. Pledger would term it.

The opposition has also stated that consumers' co-operatives would affect the revenue of our government, derived from income taxes. As nearly as I can quote the negative speaker's argument, it was to the effect that the profit returns from co-operatives usually go to people who are not normally in the income tax class. If we have no consumer co-operatives, the Negative argues, the profit will continue to go to the large capitalists from whom the government would collect income taxes and that this revenue can then be used for social services and education. I believe you will agree with me that co-operatives are a much more logical method for social betterment than the present system whereby large profit seeking enterprises exploit labor so that the government can tax this exploitation and return it to the exploited.

We seem to have few points of agreement with the gentlemen of the opposition tonight, but I do believe I can say we are all discussing an economic problem; however, economics is closely related to politics and,

for just a moment, I would like to discuss the political situation involved in consumers' co-operatives. Mr. Pledger remarked that communism and fascism are doctrines of necessity. We all sincerely hope that the necessity will never become so urgent in the United States as to force us to accept fascism or communism. Be that as it may, we have a bulwark against fascism and communism in the consumers' co-operative. Permit me to cite to you one example of how consumer co-operation has combatted each of these political movements.

With regard to fascism we find our example in England. Sir Oswald Moseley, the fascist leader in England, had enormous financial support from large business. His movement was gaining momentum until he publicly stated that, if he ascended to power, he would crush the co-operatives. The millions of families, each of whom had some member of their family as a member of a co-operative, immediately dropped all thoughts of fascism. The result is well-known—fascism is no longer a threat in Great Britain. The same is true of the democratic countries of Sweden and Denmark where co-operatives are found quite extensively.

With regard to communism let me say briefly this: when the new regime came into power in Russia, everything was taken over by the government. Yet the fact remains that the only form of enterprise turned back to the people for purely private control has been the co-operative societies which were in existence prior to

the new regime. Co-operation is purely democratic—it cannot be governmentally subsidized.

In conclusion, let me state that consumer co-operation is merely a single means of improving living conditions. Co-operatives will no more impede other attempts at social improvement than will private business, if legitimately conducted.

**Second Negative, John H. Kemnitz**  
**University of New Zealand**

**MR. CHAIRMAN AND LADIES AND GENTLEMEN:** Before we left home, Ladies and Gentlemen, we heard a good deal about conditions in America—about the dangers and other things. However, I am glad that we have been welcomed wherever we have gone, and we have to thank Mr. O'Konsky for the wonderful entertainment we have received. When we go back to New Zealand, we would like to take him back with us in the capacity of manager. However, when in 1940 New Zealand celebrates its Centennial—the century mark of its existence, we intend to prevail upon our government to appoint him as General Manager of this exhibition.

It happens, Ladies and Gentlemen, that I am an orphan and I live with a sister. Now, on the Sunday evening before we left home, we were sitting around the fire, my sister and the little kiddies and I, sitting and discussing this trip upon which I was so shortly to embark, and of course our thoughts turned to America. We talked, I remember, about Colorado and

the City of Denver, and of course we talked about Chicago gangsters with their pineapples and sawed-off shotguns—and, if I remember rightly, we even discussed Detroit and its labor troubles and the sit-down strikes. It almost looked at one time as if we were not going to arrive; but being determined to cross the Pacific, we did not sit-down, and here we are.

But to go back, we were sitting around the fire discussing America when my brother-in-law noticed that bedtime had arrived for the youngsters. As they were leaving, I turned to my little niece and said, "Well, Betty, I think I'll take you with me to America." Apparently the child took me seriously, for a few moments later I had the occasion to go along the passage before her bedroom door and I saw a pathetic figure kneeling down by the bed with her hands clasped, and this is what she was saying: "Good-bye, dear Lord, I am going to America."

Well, Ladies and Gentlemen, we have come all the way from New Zealand, practically 9,000 miles to tell you why an extension of consumers' co-operatives would not be in your best interests. The opposition has painted a rosy picture of co-operatives in foreign countries; and even if they happened to be true, which my colleague has shown you they are not, it would not follow that consumers' co-operatives would solve America's problems. Communism, I think we must admit, has been successful in Russia; but just for that reason it doesn't follow that America must go communistic or fascistic. There are many phases to consider, and I am sure that the American people would not, for

one moment, consent to live under any but the democratic form of rule. Russia is scarcely on an even footing with England, and that 16 per cent which the opposition had quoted as belonging to co-operatives, is slightly inconsistent, for although consumers' co-operatives have been in existence for over 100 years in England, they have been unable to prevail upon more than 16 per cent of the people to join the organization. I happen to be a student of economics and as such, of course, I have had to read quite a number of books written by English economists. Now, although I venerate economists as very brilliant men, I am inclined to believe that they often seem like a child's puzzle. For one thing, they do not seem to agree. But there is one point I have found upon which all English have seemed to agree and that is this: they have found that the trial of consumers' co-operatives on English social and economic life has been negligible and completely disappointing.

And then we have the Scandinavian Government which our opponent has cited as an example. What do the figures show there? They show that after 76 years of the existence of co-operatives in Scandinavia, only very few now exist, and only 6.2 per cent of the people of Denmark belong to co-operatives, and 6.9 of the people of Sweden, and 4.6 of the people of Norway. These figures prove quite conclusively that only a small percentage of the people of these countries consider consumers' co-operatives a definite part of the economic system of their government. And next we come to America where the advocacy of co-operatives is

strongly recommended. Out of the total population of 130,000,000, only 690,000 people are members of consumers' co-operatives. Mr. Hamburger has told you of the wonderful success of several of these co-operatives which he described. Somehow or other, they sound like cut-rate drug stores to me.

But, on turning the pages of the little reference volume I have here, I find that the strongest co-operative association of the United States is in Minnesota. It is a wonderful, flourishing organization. It has a membership of only 2,000 persons; and its total pay-roll is about \$4,000 a month for the 2,000 people in its employ. Why, such small figures would not cover the business done by a fair-sized branch of a department store. When we compare the business done by this concern and the business done by the average industry in America, it would seem that co-operatives played but a small part in these and other American societies. And now, one final example: It is important at this time that we take our own country of New Zealand. It has carried out so many interesting experiments that it has been called the Social Debacle of the World, and, from this, one might expect to find a fertile field for co-operative experiments. But, what do we find? We find that co-operatives in New Zealand have been singularly unsuccessful. They all failed. A large retail store was established after a pattern of a co-operative, and after flourishing grandly on government money it fizzled out and went into liquidation. And why, you may ask, have co-operatives met with such little success in New Zealand? Conditions should have been ideal for

the advent of such a plan. Well, it has been found that where there is no personal interest there are a tremendous number of co-operative societies which die from the weakness of the individuals. There is often indifference, and apathy, and sometimes even inefficiency, and that breeds dishonesty. In our present economic system we rely on profit as a motivating power, and this profit urges people to spend among many so that the drive for efficiency is negligible; but, further than this, the element of competition is not strong. If I belonged to a co-operative, irrespective of whether I could buy from another organization on slightly better terms, I could not. And then our experience in New Zealand shows that our merchants tended to sell tobacco of brown and poor quality, and that it was not presented attractively or in sufficient variety, but one of the very worst features was that members of the co-operatives, in trying to cut down cost, reduced the salaries of its employees to the lowest level in the history of New Zealand.

Our opponent would have you believe that these evils could be overcome by government regulation, but in reality this contention is just as ludicrous as trying to counteract a dope addict by prescribing more morphine, for co-operatives almost invariably tend in time to become monopolies themselves. What happened to the flour milling business in Sweden? Our opponent didn't tell you that. They banded together to drive the private millers out of business; and before long, there was a wide clamor for government intervention and regulation of this huge monopoly; but, Ladies and

Gentlemen, do you realize this: monopolies are exploiting the American public?

It seems to me that you are paying into a monopoly when you pay for electricity. Although the prices aren't unreasonable, rates for electricity are still paid into a syndicate under anything but municipal ownership. Your monopolies have been controlled in such a way that rates are not too high. As my colleague has shown you, individual initiative is essential if we wish to keep in the forefront of the economic systems. History shows that individualism is a necessary concomitant to industry and economic progress.

The average American worker, unquestionably, Ladies and Gentlemen, enjoys an amazingly high standard as regards material welfare. During our stay in your country, we haven't seen all of these places which Mr. Hamburger has described, but I have been in the homes of railway workers and carpenters, and I have been in the homes of those men who work in the vast automotive factories which have become a household word throughout civilization, and I think these men represent the average working man of the world. Now, all of these homes were very comfortable and neat. They had nice furniture and radios. Most of them had refrigerators and excellent food. Their children looked intelligent, and each and every one of these workers owned a motor car.

Is there any other nation on the face of the earth which can claim such a wonderful standard as that? English workers, our opponents said, enjoy essentially the same standards, with the benefits of co-operatives.

Now, although I don't hold him or America any ill-will and am a loyal British subject, I say that the English worker does not enjoy these luxuries, and England would never make an assertion to that effect. Now, I know you are wondering if I am ever going to stop, but just before I close, I would like to enlarge on a final point, and it is this:

Our opponent contends that we must extend co-operatives, but I strenuously advocate that the very reverse of this is the truth. The extension of co-operatives would be an end of a democratic form of government and the beginning of an advent of communism and fascism, for in actual practice, these co-operatives rarely succeed. Mussolini made use of the co-operatives, and Hitler in Germany is doing the same thing at the present time. Would American people appreciate any form of communism or fascism? Of course they couldn't and wouldn't. You shudder at the very mention of the word "dictatorship"! Germany can meddle with any form of government she chooses, but the American people must have freedom of thought and freedom of action. What we do maintain, Ladies and Gentlemen, is that our present economic system evolved through the ages; and the process required much foresight and much courage, and much initiative, even energy and saving. We cannot afford to change it—we cannot afford to face the dangers which will accrue. In this world today we have far too many friends itching to tear to pieces all our existing institutions and systems. We must always remember, Ladies and Gentlemen, that it is easy to destroy. To rebuild

is the world of geniuses, and time is the greatest factor in the plan. Now, I will close with the famous Maiden's Prayer—Ah! Men!

First Negative Rebuttal, Eustace F. Pledger  
University of New Zealand

MR. CHAIRMAN, LADIES AND GENTLEMEN: I must hasten because I very much want to say many things. The last couple of days we have been taken out driving, and each time we were in the company of the gentlemen of the Affirmative. On each occasion they have turned to me and said, "Remember, we are on the very best of terms." "Yes," say I, "we are on the greatest goodwill in the world. My partner has made many remarks, but please don't take any notice. They are like the noise he makes when he sings in the park."

Now, I want to state to you briefly a few points of this debate. First, let us take the dividends that are going to be returned to each member. I brought the thing into actual practice in everyday life and I showed you how little good the thing was going to do. I showed you that for the case of the average person it could not exceed \$15 spread over a period of a whole year. On the other hand, I explained to you that at home we have so many people—common unemployables, invalids and others, whom you cannot compel to join a co-operative. What are we going to do with them? The co-operative dividends will not better the social condition of these people, so how are we going to take care of them? If dividends are going to be returned to

people who are not in the Income Tax class, all means of visible support will fail for the government. Mr. Hamburger said that I said that we could not tax the co-operatives. He said that was wrong and that we could tax them, but that dividends would go back to the small banker. He said that there were other social services that would take care of the canal dwellers and so forth. He brought out the regulation and control of this matter by the government.

I told you that we had embarked on that in New Zealand and then I went into the whole business in as short a time as was allowable, and still our opponents neglected to make any retort to my statements. The ideas are fundamentally the same and could be adapted to this country. I think that is rather a broad statement, because some of these things have never been tried. It has been tried in New Zealand and the Government regulation is successful. He tells me that 10 per cent will be given to the workman as far as buying power is concerned, but that 10 per cent will mean nothing when it concerns a lack of competition and the inferior varieties these co-operatives finally assume. If that 10 per cent were distributed wisely and well, it could never bring satisfactory products.

What happens to the 10 per cent is: it goes, through a crook or fake, to our friends the capitalists. Very often the fees for marvelous institutions for the betterment of your people are never erected for a reason, just as simple as this. We know very well that few people put the money away in an old sock at home. That is our argument as far as I am concerned, Ladies

and Gentlemen. You must do something about this condition. You will find that in this country the price increases and the wage decreases can be blamed mostly on capital, and price cancellation will not be accomplished by dividends. That is the only way we can insure future security when we see a plan as unfitted as this dangled before our eyes.

First Affirmative Rebuttal, Joseph G. Rashid  
University of Detroit

LADIES AND GENTLEMEN: Before this debate began, Mr. Pledger and I were on friendly terms. But when my friend referred to me in that disparaging manner by calling to your attention that unfortunate title of ideal man that has been wished upon me, I do not know whether to be angry with him, or continue to be amicable with him. They have been very gracious tonight; and, in view of that, I shall not be too harsh, and forgive Mr. Pledger for making the reference.

Turning once again to the more serious side of the debate, let us begin with a consideration of what appears to be the most important objection of the Negative to the consumer co-operative.

First, our friends have alleged that consumers' co-operatives will not be able to compete with larger firms, that said large firms being in a position to buy in large quantities will be in a position to undersell the co-operatives. But apparently our guests have forgotten that the prime end of the co-operatives is to

enable the members to buy in large quantities, making it possible to resell the same members commodities at cost price. In other terms, just as large firms can buy in large quantities, so can the co-operatives. May it be repeated that such procedure is the real objective of the movement.

Another objection raised by the gentleman is this—that the dividends returned to the members are untaxable. My colleague has answered this in one fashion, but may I add this: the commodities purchased by the members are taxed at some stage of their production, before they reach the ultimate consumer. The very clothes you wear, the cigarettes you smoke, the food you eat, is taxed, in some instances not once, but many times. The argument has also been advanced by the Negation, that the extension of the consumers' co-operative movement will destroy the profit motive and, to use their terminology, will destroy individual initiative. To this we have but one answer, that the curtailment of initiative and free competition, as well as the desire for profit, is necessary. We maintain that it is necessary that a man's freedom of action be curtailed or curbed for the common good. What will the gentleman have? a return to *laissez faire* or rugged individualism, with its genuinely free competition?

There is one important inconsistency in the negative stand tonight. They have told you that New Zealand is the social laboratory of the world. Naturally, therefore, they have proposed a system of government regulation to make for stabilization of wages. Government regulation they tell us has been indeed successful

in their country. They ask that we accept their proposal as an American solution. But then when we point to the success of the consumer co-operative abroad, our friends objected most vociferously, claiming that conditions in Europe are different, hence, that which works in Europe will not in America as many factors, some psychological, some physical, prevent the movement's successful operation in this country. May we ask you to note well that our friends refuse to allow us to make comparison with the European movement yet, in the next breath, they ask us to accept government regulation because New Zealand has it. Either our guests allow us to make worldwide surveys of the co-operatives' growth, or refrain from asking us to accept government regulation because New Zealand and, in fact, all Europe has it.

But let us consider this state controlled situation our friends speak of. We pointed out, we feel quite adequately, in our constructive speeches how the N.R.A., the great American attempt at government regulation, failed to accomplish its purpose. In fact, we based a considerable portion of our case on this fact. What reply did we hear? Simply, that we in America have never had a system of government regulation, because the Supreme Court "comes along" and rules it unconstitutional. We are able to dispense with that answer quite easily. The N.R.A. was in effect over two years before the Court had the opportunity to render its opinion and rule it off the statute books.

It has been alleged further that all the consumer can save is some \$15.00 spread over an entire year, and

that this saving would be spent, not on necessaries, but on luxuries. Let us consider the first portion of the argument, and we find that the gentleman has resorted to the methods of sophistry in his argument. It was his contention, after juggling, as it were, the figures, that 10 per cent of the 27 per cent spent for food, would amount to the aforementioned \$15.00 saving. The opposition is correct, but there seems to be an intentional omission of the 17 per cent that is spent for general merchandise and the 9 per cent that is spent for clothing, totaling 53 per cent. If the gentleman will consider a saving of 10 per cent on the entire 53 per cent, he will arrive at different results. You will remember that 53 per cent includes the percentage of income spent for clothing and general merchandise, as well as food.

It has also been stated by the very capable Mr. Pledger that the 10 per cent savings will be spent on that awful beverage, "beer." His meaning, I gather, is that the amount will be spent on luxuries. To that we have but one short answer. To use the expression of the street, *so what?* You will pardon me for using it? But that expresses our reply to that objection. Assuming that the entire amount is spent for beer or cosmetics, the fact remains that it brings about an increased purchasing power. More than this, if it provides labor and you and me with a means of acquiring luxuries, let us all pray for a rapid influx of consumers' co-operatives. We do know that we are badly in need of such wherewithal to buy said luxuries and beer.

There seems to be some misunderstanding as to the type of monopolies that I referred to in my constructive speech, for one of the gentlemen from New Zealand stated that government regulation and the anti-trust laws will remedy this. He forgets that the form of monopoly I made mention of is that which holds patent rights and requires royalties on every article manufactured using this patent, and such royalty costs are passed on to the consumer. Anti-trust laws certainly cannot remedy this situation. Nor can they remedy the situation wherein private utilities refuse to electrify rural districts because there they can realize little or no profits at all. The situation in the latter instance has been in a large measure, young as the attempt is, remedied by farm co-operatives assisted by the Federal Government.

Another objection must be considered before closing —namely, that millions cannot belong to the co-operatives, the most that can be benefited will be 16 per cent of the population, an assertion based on the success of the movement in England. But the Negative seems to forget that if 16 per cent of our population are benefited by the consumer co-operatives, that will mean 16 per cent of our people have an increased buying power and, if it pleases our friends, will have the means to buy luxuries. They also forget that we defined *extension* of consumers' co-operatives to mean the gradual increase of co-operatives in those districts that will be most beneficial to the people of those districts. Hence, we recognized from the very beginning that not all shall become members of the co-operatives. Finally,

the allegation has been made that the co-operatives have failed in England. We cannot reconcile that statement with one found in the *Annals of the American Academy of Science* for May, 1934, by James Peter Warbasse. He says: "The amount of share capital held by the members is greater today than it was in 1929."

May I conclude with asking your forgiveness for my becoming a bit overenthusiastic during the course of the rebuttal. It may appear a bit harsh, particularly since the gentlemen, and they are truly gentlemen, have been so very, very gracious.

Second Negative Rebuttal, John H. Kemnitz  
University of New Zealand

MR. CHAIRMAN, LADIES AND GENTLEMEN: I do not wish to attempt any objections, but it seems to me that the gentlemen of the Affirmative have made remarks like the unskilled workman: "You pick up the top and find nothing there."

But all in all, they have raised only a few untenable points, and it is for that reason that I feel this way. I entirely agree that we must have a civilization which has wealth at the top and poverty at the bottom—security at the top and insecurity below, and yet we don't need anything like that at all. But, in building these plans for the future, we say that the consumers' co-operatives have no importance. When this government was decided upon, a committee decided upon two important points: that it must preserve the present

economic system and oppose the forces of communism. Now, they settled on one point. Mr. Hamburger and Mr. Rashid told us that if co-operatives come into existence there is no reason why the taxes should drop. He has told us that when we buy a package of cigarettes, we pay a tax. But, those are only trifling taxes. Why, only about 5 per cent of the total taxes received are derived from taxes levied on those goods. You all know that the income tax comes first, then land tax, and then debt duties, and you certainly will not have income taxes and land taxes if you abolish the big concerns that pay these taxes. He assumes, I suppose, that this taxation is to be made somehow by the small consumer. He has told us a lot about the N.R.A. and governmental regulation—but I cannot agree with him.

Governmental regulation will not succeed in America for the same reason that fascism will not. The government has already been tried. He has made no mention of the public utilities that are exploiting the public today. He has told you repeatedly the success of the co-operatives in England, and I have proved that this success was unimportant in the general run of industry. He has questioned the smallness of the saving which we contend will result from the adoption of the co-operatives. He brings up the point of including clothing and general hardware in our deduction—well, we have included them and there is still nothing left. We have shown that the saving is negligible.

Ladies and Gentlemen, America, like every other country, is today faced with many grave problems; and the people of America will face these problems

with the same indomitable courage, the same unquenchable enthusiasm that your forefathers faced the problem of settling in this same America less than 200 years ago. We deeply appreciate this invitation to address such a concourse of American people, and we take this opportunity of saying that we shall take to our own country much of the good will of our visit to this hospitable and interesting land. In conclusion, may I say that we of New Zealand follow with sympathetic understanding, the ups and downs of the American people. American prosperity is our refreshment—your joys feed our hopes. And despite the conflicts of the different nations, there is a certain underlying feeling of fraternal brotherhood between this country and our own. If we have done anything toward fostering this feeling of friendliness, we will feel that our mission has not been in vain. We in New Zealand have concluded to our mutual advantage the old maxim that "three good laughs a day, will keep any doctor away."

**Second Affirmative Rebuttal, Abner A. Hamburger**  
**University of Detroit**

**MR. CHAIRMAN, LADIES AND GENTLEMEN:** Several statements which the opposition made during the course of the debate, call for refutation on the basis that they were not strictly accurate. One of these statements, which was made by Mr. Kemnitz, was to the effect that consumers' co-operatives have repeatedly failed, that they are inefficient, and that this in-

efficiency is often prompted by dishonesty. His failure to support that statement with any evidence must in itself lead you to doubt it; but I can make this doubt more certain by quoting from an article from the magazine *Nation* of 1935, by James P. Warbasse, who states: "Co-operatives are more successful than is private business in the same fields. Their failures have been fewer, their losses less, and the number of employees dismissed smaller in proportion to capital and number of people involved than in corresponding profit businesses. Co-operation exhibits inefficiency and dishonesty to a lesser degree than do profit business and government."

We had further proof of co-operative efficiency in our recent bank crisis, which is still vivid in your minds, although perhaps not so familiar to the gentlemen from New Zealand. The fact stands out that while hundreds of banks were forced to remain closed after the bank holiday, because they could not meet requirements of state banking departments, not one of 1,800 co-operative banks in the United States closed. The chief losses of co-operative banks were losses of funds deposited in closed private banks.

An article in the *New Republic* also supports the efficiency and stability of co-operatives, stating that the uniform success of consumer co-operation, during the years that profit business has suffered its worst setback, would seem to indicate the stability of consumer co-operation. In 1929, the Co-operative Association of Kansas City purchased a bankrupt plant and increased business forced expansion five times during the de-

pression. Available statistics would permit me to continue indefinitely on this point, but I believe enough has been said to brand the statement that co-operatives are inefficient, dishonest, and repeated failures as an inaccurate statement.

Now Mr. Kemnitz has placed a great deal of stress on the fact that co-operatives are not doing the major portion of the business in this or other countries. He has also brought out that only 6.2 per cent of the population of Denmark, and only 4.6 of the people of Norway are members of Co-operatives. Now, at first glance, these statistics seem to represent quite a minor proportion of the population of those countries. But we must bear in mind that as a general rule, only one parent of the family is a member of the co-operative, so if we were to consider these statistics of Mr. Kemnitz in their actual relation to the population of any particular country, we would see that closer to 40 or 50 per cent of the families of those countries that Mr. Kemnitz mentioned are actually dealing with, and have, membership in co-operative societies.

Now, I ask you to bear in mind the fact that the resolution we are debating tonight does not place the Affirmative in a position where we must advocate that all business, or even the major portion of the business of our country should be transacted in co-operatives. We need only explain why consumer co-operatives should be extended. Consequently, the statement made by Mr. Kemnitz that co-operatives are not conducting the major portion of business in any country is

not actually pertinent to the proposition the Affirmative is advancing.

The time remaining at my disposal is extremely limited; I should like to use it in summarizing the affirmative case.

I believe we are all justly proud of the fact that the American workingman perhaps enjoys a higher standard of living than do workingmen in other countries. But America is instilled with a spirit of progress. My colleague and myself have attempted to call to your attention a means of distribution which will still further improve the living standards of our people. That there is room for improvement seems to be common knowledge. The consumer co-operation will do its bit toward that improvement has been our contention.

The steady growth of consumer co-operation speaks for its efficiency and desirability. The continuance of the movement through periods of prosperity as well as depression speaks for its stability. Rapidly increasing membership speaks for its benefits.

We of the Affirmative feel sure that various other methods for improving living standards will be conceived in the future, but we do maintain that consumer co-operation will not impede these possible attempts for social betterment.

In conclusion, I would like to thank you, Ladies and Gentlemen, for your fine attendance here this evening which has made our participation in this debate a genuine pleasure. I would also like to extend to the gentlemen from New Zealand my colleague's and my own best wishes for a successful completion of their very

lengthy trip. I understand that they have not been defeated in any of their numerous debates thus far, and it is our wish that they extend their fine record—with tonight's debate excepted, of course.

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BALANCING THE FEDERAL BUDGET

*A Radio Debate*



## BALANCING THE FEDERAL BUDGET *CHICAGO-KENT COLLEGE OF LAW AFFIRMATIVE VS. DEPAUW UNIVERSITY NEGATIVE*

On February 21, 1937, Radio Station WLS (Prairie Farmer) broadcast a debate between Chicago-Kent College of Law and DePauw University on the subject of the Federal Budget stated: *Resolved: That the Federal Budget Should Be Balanced.* This debate was one in a series of seven radio debates sponsored by the Chicago-Kent College of Law and judged by the radio public.

Chicago-Kent College of Law was one of the first colleges to sponsor radio debates; and for several years has made it an annual event, under the supervision of Mr. Edmund Webster Burke, debate director of the project.

This debate followed soon after the President's budget message to Congress. The accuracy with which these debaters anticipate the trend of current events is remarkable, and proves the educational value of having various problems discussed over the radio.

DePauw, arguing for the Negative, was represented by Mr. Wendell Lanning and Mr. Daniel Ragon, and Chicago-Kent College of Law, upholding the Affirmative, was represented by Mr. Howard J. Bleser and Mr. Ralph Eisendrath.

The debate was contributed by Professor Herold T. Ross, debate coach at DePauw University, with the co-operation of Mr. Burke.

**First Affirmative, Howard J. Bleser**  
**Chicago-Kent College of Law**

We greet the gentlemen from Depauw University who are here to discuss with us the problem: *Resolved: That the federal budget should be balanced.* A budget is not merely an affair of arithmetic but, in many re-

spects, goes to the roots alike of individual and national prosperity.

A budget is a vital device which promotes efficient and economical administration of public affairs. It is a comprehensive statement showing all governmental revenues and expenditures. It should be a balanced statement; the balancing of income and expense is the essence of a budget. You as individuals have budgets; families have budgets; every well managed corporation has one; and our Federal Government has a budget. Just why is it that this federal budget should be balanced? Just why is it that you as an individual cannot maintain a pace whereby you spend far more than you earn?

If you go into a store to buy groceries and pay cash, you know that you own the goods and that you do not owe anybody for them. If you do not have the money to pay for the merchandise, you have it charged to your account—to your credit. If you are to pay for the goods at the end of thirty days and do not have the money, shall you be able to secure further goods or shall you find that your credit has been stopped? If you purchase an automobile on the time payment plan, so much down and so much a month, and then find that you cannot meet your payments, you not only become involved in debt but may lose what you have already paid as well. And so it is with families. If the Brown family tries to keep up with the Joneses, it may seem for a time that the Brown family is indeed prosperous until one day you see several moving vans pull up in front of the Brown residence and load up furniture

and "what not" from their home. They have taken on obligations which they cannot fulfill: their credit has been stopped. These are very simple illustrations of how people lose when they spend more than they earn. When an individual becomes too involved in debt, he finally becomes bankrupt; and his creditors seize his remaining property and leave him penniless. Everyone agrees that it is foolhardy for a person to spend so much that finally he has everything taken from him.

Now is the situation any different with a government? After all, who is the government? Is it not composed of individuals and families? A government's budget is no different from any other person's budget except that it involves larger figures, and except that when the national budget is not balanced, the result affects every American fireside. And every person and family today is affected because the federal budget is not balanced; our government today is spending far more than its income.

In the 1936 budget, receipts were estimated at less than four billion dollars—expenditures in excess of twice the income. The more than four and one half billion deficit for the fiscal year ending last June 30 was the largest for any peacetime year in American history.

The total expenditures from 1934 to 1936 were as great as the expenditures for the one hundred and twenty-four year period from 1789 to 1913. And each year these billion dollar deficits pile up and pile up until our national debt is now in excess of 28 billion dollars, or more than 200 dollars for every person in

the country. We have heard so much of billion dollar deficits the past few years that the word billion seems subject to the statement that familiarity breeds contempt. If our national debt were laid dollar to dollar and end to end, the earth would be girdled 115 times.

We are paying billions out, piling up government debts, and getting nowhere except deeper into the mire of debt. Whatever recovery may be had is constantly endangered by riotous government spending and an unbalanced budget. We cannot spend ourselves into prosperity, but we can take a joyride into bankruptcy. Those who continually fail to live within their incomes whether individuals or nations, sooner or later come to grief. No nation can for long endure Mother Hubbard economics, for what will happen when the cupboard is bare?

The tragedy of it is that people at large are lulled into the belief that these deficits and debts cost them nothing, that the money springs from some hidden source. Probably very few citizens, in hearing of our huge discrepancy between national income and outgo, feel a sense of personal concern for the security of their jobs, the buying power of their incomes, or the safety of their savings. But the longer our government incurs deficits and adds to our debt the greater will be the interest burden, and each year every citizen and family will have to pay a larger and larger portion for this debt and its interest. Each day that goes by without the budget being in balance means that every family and individual in our country is becoming more and more involved in debt.

If the budget is not balanced, the government can do one of several things. It can reach deep into your pockets and increase the crushing burden of taxes, or the government can start its printing presses working and manufacture money. Under the latter alternative the currency would become worthless and savings would be wiped out; former small fortunes would not buy even a loaf of bread.

Not even the government can continue year in and year out to spend far more than its income. Sooner or later it must desist or collapse. So far there is no breathing spell from deficits. Is there anyone who wishes to see a repetition of the 1929 collapse with its destruction of savings, its unemployment, and its suffering? This we shall see again unless a fiscal policy is adopted which will slash all needless waste, eliminate all needless expense, and again bring expenditures within the purse strings of income. New taxation will not be necessary if this is done. All folly and waste in spending must be eliminated; then the budget can be balanced. Everyone knows of instances of waste and folly in his own city or village. Consider such waste, multiply it by all the thousands of other towns and communities in the United States, and get the appalling total.

Our advocacy of balanced budget through reduced expenditures does not imply a desire or willingness to cut off relief or to see people starve. Were it practicable, we would like to see all our deserving idle workers supported in even better fashion than the present relief payments make possible. But in view of taxes already

burdensome and a mounting deficit, it is not possible. We believe it is far more inhuman to continue a deliberate program of reckless spending which threatens to impoverish the entire people. This excessive government spending, because of the mistrust and fear that it creates, prevents any substantial increase in business expansion and employment. It virtually threatens business enterprise. Business men realize that they cannot conduct their business for long if they continue to spend more than they take in. They can rightfully expect sane business methods of their government, too.

If you were going to invest money in a company, would you pick a company which you knew was not spending more than its income, or would you be willing to risk your savings in one which persisted in recklessly paying out more than it took in? The balancing of the federal budget will restore to our citizens their confidence in their government. They can then again invest their savings without fear of confiscatory taxation. As this confidence returns with a balanced budget, business will be so improved and revenues so increased, that, with reduced expenditures, it will even be possible to reduce the outstanding debt of our nation. We have all seen large corporations and large countries become bankrupt. We do not wish to see our country tread this path of ruin simply because we insisted on spending more than our income. The budget can be balanced, and now is the time to do it. Thrift is still a cardinal virtue—even in government.

First Negative, Wendell Lanning  
DePauw University

Picture for a moment the situation of a man who is entirely dependent upon one well for his water supply. How much water can he safely take from it at one time? The answer, of course, depends not upon the level of the water in the well at the time, but on the volume and dependability of its sources. In like fashion, the amount of money which our government can safely expend at a time depends, not upon the balance of its debits and credits at the time, but upon the volume of its dependable source of revenue, that is, our nation's taxable wealth and income. We of the Negative wish it clearly understood that the fact that the budget may not be balanced over a given period does not, by any stretch of the imagination, indicate that our nation's credit is in danger.

Let it also be clearly understood at the very outset that we are discussing the advisability or inadvisability of arriving at a balanced budget for the fiscal year of 1938. No one would dispute the ultimate value of a balanced budget as an economic principle, and neither the Affirmative nor the Negative can predict what may be feasible and desirable several years from now. Therefore, in order to arrive at a valid conclusion, we must confine our arguments to a consideration of the next budget.

In such a consideration, two basic issues immediately arise: First and foremost, does the preservation of the credit of the United States Government demand

a balanced budget at this time? Secondly, can the budget be balanced at this time without incurring detrimental effects which far outweigh any benefit to be derived?

How can we measure the debt of any person, corporation, or government? Only in relation to a standard. There is no large or small debt except as it is related to resources available for payment. It can readily be seen that one man may owe a million dollars and be perfectly solvent, while another may owe a hundred and be bankrupt.

Likewise, a distinction must be made between a gross debt and a net or actual debt. The stated debt in 1936 was 33 billion dollars. This figure, however, does not take into account offsets such as collectible loans, stabilization funds, and general funds, which reduce it to a net debt of 25 billions. It has been estimated by high governmental officials that the net debt could safely go as high as 65 or 70 billions. Yet, in the face of available figures, there is no reason to suppose that it should ever reach this extreme, particularly in view of the trend toward business recovery.

In order to allay popular fear of a rising public debt, it is necessary only to compare the actual number of dollars of debt per dollar of revenue in the last fiscal year with the same ratio for 1932 in the midst of the depression. In 1932, for every dollar of revenue from taxes and customs there was a debt of 10 dollars. In 1936, we find that for every dollar of revenue there was a debt of about  $8\frac{1}{2}$  dollars. Furthermore, the debt in 1932 was in the face of decreasing revenues

and a rising rate of interest. Today's debt exists under the favorable condition of steadily increasing revenues and a decreasing rate of interest.

The fact that we may be overemphasizing the danger of an unbalanced budget is further indicated by the trend toward recovery which is now apparent. Income reports are a good barometer. Individuals and corporations may be overmodest in reporting income—the modesty of some men about their income is shocking—but their reports are reliable. From 1929 to 1932 income decreased from 32 billion to 10 billion. But from 1932 to 1935 it increased from 10 to 16 billion, and the pendulum is still swinging upward.

There might well be cause for alarm over a rising debt if this debt were being incurred as was the debt resulting from the World War. But no one would compare the beneficial effect of a million dollars for unemployment relief, public improvements, and self-liquidating loans with the exhausting effect of a million dollars shot to pieces on the battlefields of Europe. Therefore, we can readily see that an unbalanced budget in the fiscal year 1938 will not in any way impair the sound situation of the government's credit. We can see why private investors, in spite of extremely low interest rates, still scramble to purchase United States bonds whenever they are offered for sale.

Our second consideration this evening is this: what would happen if the budget were balanced in 1938? We are fully aware of the plan, as outlined in the President's message, to produce a balanced budget by failing to fulfill the statutory debt retirement and by

cutting relief in half. This plan, the President admits, will be only a "layman's" balance, providing relief expenditures of one billion eight hundred million dollars. That is, the amount allocated for the annual statutory debt retirement is to be added instead to the one billion four hundred million available for relief. But since this operation will not permit a statutory debt retirement, as required by law, the only way in which the President's plan can be carried out legally is by expending only one billion four hundred million for relief.

Can satisfactory and adequate relief be provided with an allotment of only \$1,400,000,000? This question can best be answered by reference to the actual relief figures for the fiscal years of 1935, 1936, and 1937. In 1935 the cost was \$3,600,000,000. In 1936 the total expenditure was \$3,300,000,000, a decrease of about 8 per cent. For the 1937 fiscal year, the President estimated that relief would cost \$2,800,000,000. This estimate fell short by 100 million because of an increase in the deficiency appropriation for the remainder of the year.

Thus, the 1937 relief will be a decrease of only about 12 per cent from that of 1936. On the basis of these figures for the last three years, which are the only bases available for any prediction, is it reasonable to expect that relief expenses can be cut next year to \$1,400,000,000, a reduction of more than 50 per cent? The problem of relief has become gradually more acute through the last two decades. It is too much to hope that with one fell swoop the government

can now cut relief in half. This problem did not arise at that rate, nor can we expect it to diminish at that rate. It is equally unreasonable to suppose that the burden of relief can be shifted to any extent on the separate states. When the President ordered a reduction of WPA employment before sailing for South America, recently, the states and local communities were not fitted to cope with the situation and the reduction was stopped almost in its tracks.

Suppose the relief program were sharply curtailed by 50 per cent without a satisfactory substitute. We cannot predict what would happen. We can only point to the riotous demonstrations in Washington, Denver, and other cities against the last reduction of WPA employment. This violent reaction is an indication of what will happen. The President himself hinted at the impossibility of the drastic cut which he proposes when he stated that the government does not propose next year, any more than during the last four years, to allow American families to starve.

Second Negative, Daniel Ragon  
DePauw University

Let us examine the statements made by the Affirmative in support of a need for a balanced budget. They gave several interesting comparisons to show that a federal budget must be considered exactly the same as a budget for a family or an individual. Here we must disagree. The federal budget cannot be compared to a private budget. A family or individual

must make expenditures fit the income; whereas the government, because of its power to tax available wealth and income to support its authorized activities, makes income fit expenditures.

The affirmative speaker was quite alarmed over the extent of the public debt and its expected increase. But bear in mind that a debt can be measured only in relation to a standard, the standard being the ability, or prospective ability, to pay.

In saying that as the nation goes, so go we, our opponents have reversed the actual causal relationship. On the contrary, as we go, so goes the nation. The government has been in debt because our business has been slack, our incomes reduced, the sources of taxation meager. But today we find a trend toward increased national income, income on which further taxes may be levied without becoming burdensome. You have been told that there is an urgent need for a balance, because the longer we wait, the more difficult it will be. In the face of this trend toward recovery, however, the longer we wait, the easier it will be. Recovery will bring the double benefit of more taxable income and reabsorption of unemployed.

Now, Ladies and Gentlemen, the Affirmative has mentioned two alternatives in the face of the deficit: crushing taxes or inflation. We cannot accept either as likely to result from the present situation. Since the year 1937 is not a focal point in the depression but rather a step in the return to normal conditions, and since the trend is at this time toward a gradual reduction of total expenditures, the fear of inflation is mis-

placed. Neither are we likely to suffer from burdensome taxation when taxable income is steadily growing.

Like the members of the Affirmative, we would like to see all extravagance and waste eliminated from the regular operations of our government, but we are at a loss to know how it can be done. That the President considers this impossible is evident by the fact that he is directing his reductions at relief. The members of the Affirmative are unwilling, as they have said, to allow deserving unemployed to starve. We have shown you by actual budget figures of the last three years that we cannot hope for the 50 per cent reduction of relief which the President admittedly will need for a balance. Therefore, the Affirmative is inconsistent in advocating a balanced budget and, in the same breath, approving of adequate relief.

A great deal of the Affirmative's constructive argument was directed at the need for balancing the budget in order to restore confidence in the government and to encourage business improvement. Yet, Ladies and Gentlemen, business is improving today with an unbalanced budget. The incomes of 130 major corporations for 1936 were the highest in six years. They have asked whether you would rather invest your savings in a firm with a balanced budget or a firm spending more than it earns. To that question, you have already given your answer by your consistent eagerness to purchase United States bonds whenever they are offered, in spite of low rates of interest.

Let us turn to the second major issue. What will happen if the budget is balanced next year? We have

shown you by the instances of riots and demonstrations what may well come to pass if relief is curtailed—such a curtailment being the only possible way to effect a balance. Suppose that we are driving an automobile. Since we are assured that no accident impends, let us apply the brakes gradually and avoid flying through the windshield.

What beneficial effects have the members of the Affirmative claimed for the balanced budget? First, confidence will be restored, they say, with the adoption of sound business principles. The constant demand for United States securities shows conclusively that confidence in the government has never been lacking. Business will recover, they predict. May we refer again to the figures on corporate incomes, which show that business is now recovering steadily under a budget which is not balanced? The Affirmative has asserted that with a balanced budget revenues will be increased. You know well, Ladies and Gentlemen, that revenues are increasing today. Government estimates show an increase of 4 to 7 billion dollars in two years. As for the reduction of expenses, have not our budget figures shown a reduction for the last three years, and has not the President admitted that further reduction at this time can come only at the expense of adequate relief?

Since the benefits which the Affirmative claims for a balanced budget have been shown to exist today under an unbalanced budget, and the credit of the United States is in no way impaired, we see no need for a balanced budget in 1938. And because of the certain repercussions which would result from the in-

evitable curtailment of relief, we of the Negative are firmly convinced that the federal budget for the next fiscal year should not be balanced.

**Second Affirmative, Ralph Eisendrath**  
Chicago-Kent College of Law

Eighty-seven years ago Charles Dickens wrote *David Copperfield*. The unhappy Mr. Micawber's advice to little David is immortal: "Annual income twenty pounds—annual expenditure nineteen, six—result, happiness. Annual income twenty pounds—annual expenditure twenty pounds, ought six—result, misery."

And that advice is true today—be it for an individual or a nation. Misery is still the inevitable result of an unbalanced budget—and don't let the box car figures of our opponents delude you.

They speak flippantly of billions, with such words that the net deficit could "safely" go as high as 65 or 70 billion dollars. Up until 1902 there hadn't been a billion *minutes* since the birth of Christ—take a pencil and paper and figure it out for yourself. Well—every *one* of these dollars must be paid back or repudiated.

If these dollars are to be paid back, and thus justify our faith in the integrity of our government—it means consistently high taxes for a long period of time. And don't be misled into thinking that only a few pay the taxes. It affects the purchasing power of every one of us.

If these debts are to be repudiated, it means the complete collapse of our investment system, and down with it go the banks, already overloaded with government securities, the life insurance companies, the endowment of universities, and the thousands of dependent holders of government obligations. I do not speak of the *moral* bankruptcy of our nation, which is beyond mere figures. Don't you think it is time we called a halt at the present deficit of thirty-three billions of dollars?

We agree with our opponents that there is a trend toward recovery. In such a time does an honest man pile on more debts? We cannot help believing that our National government should reflect the innate honesty and integrity of the people it represents. The first step in truly representing the moral fibre of its citizenship, is to present a balanced budget—and certainly not to increase the already top-heavy load. Yet our government continues its stubborn policy of wasteful expenditures, regardless of the national income—and the red figures continue. And when a thoroughly aroused public sees red—watch out!

Our opponents state that, despite an unbalanced budget, government bonds are readily purchased. We grant this, and all the more pity. With the uncertainty of government finance the actual credit inflation now inflicted on us, and the threat of monetary inflation, industry is not borrowing for expansion—building is still stagnant; and agriculture is surfeited with loans. But the government is still pouring out a flood of dollars; and these dollars, lacking any place for profitable

investment, have collected in pools and reservoirs of banks and investment trusts. What are the banks going to do with this money? There is only one big company borrowing on a large scale today, and that is the United States Government. The result is, the money the United States is spending—plus the normal surplus of better times—is being reinvested back in government securities. It is a vicious circle, and the government is paying interest on its own expenditures to borrow more to spend more. It is a mad dance of economic drunkenness—and what a headache there'll be in the morning!

Finally, as a desperate tear jerker, my opponents talk about stopping relief and starving women and children. We thought we were discussing the question of balancing the federal budget. We also hold that human values are more important than property values, and the really genuine functions of government that protect humanity have our blessing. Relief to those in need has become an indispensable duty. But our government, efficiently operated, and honestly administered, can accomplish these functions within its income and without crushing or demoralizing taxes. In the period from 1920 to 1930, during which time government activities steadily increased and taxes were actually *reduced*, the treasury not only balanced the budget but paid *off* an average of a billion a year on the public debt. There can be little incentive for efficiency and the lopping off of *useless* and *extravagant* expenditures without even an attempt toward a balanced budget. If we really want to help our neigh-

bors, let's do it and do it honestly. We are *not* serving human needs by profligate waste.

And in conclusion, what is the ultimate result of an unbalanced federal budget? It is misery in repudiation, or a crushing burden on our children and children's children, with a heritage of dishonesty and evasion. A *balanced* federal budget is the first step towards national economic security, and marks a return of the moral courage of America.

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CROP INSURANCE  
*A Radio Discussion*



## CROP INSURANCE

### *KANSAS STATE TEACHERS COLLEGE (EMPORIA) AFFIRMATIVE VS. IOWA STATE COLLEGE NEGATIVE*

The drought, the short-lived AAA, and the discussions of Secretary of Agriculture Henry A. Wallace were a few of the factors that combined to make crop insurance an important topic for discussion through the farm belt of the United States.

*Resolved: That Congress should provide a complete system of crop insurance* was discussed by Kansas State Teachers College, Affirmative, and Iowa State College, Negative, over station WOI, at Iowa State College, Ames, Iowa, January 21, 1937. The debaters, representing a great wheat and a great corn producing state were both from location and personal experience well qualified to set forth the issues involved. Mr. Andy Woolfries of Station WOI presided.

The manuscript of this debate was submitted in behalf of the Iowa State debaters by Professor Justis Wilkinson of the Department of Speech, and in behalf of the Kansas State Teachers College speakers by Professor George R. R. Pflaum and John C. Henderson of the Speech Department of the latter institution.

**First Affirmative, Kenneth West  
Kansas State Teachers College**

We of Kansas State Teachers College are very glad for the opportunity to come to Ames and debate this timely and valuable issue of crop insurance. Back in Kansas we are still living in fear of another drought. You here in Iowa know full well the disaster of crop failure. Because of the terrible effects of the drought

from 1930 to 1936, it seems that we have awakened to the fact that there are certain conditions with which the American farmer as an individual cannot cope. And we feel that some action should be, and undoubtedly will be, taken by Congress in the near future to remedy this situation. At the outset it is well to note that farmers today heartily favor a system of crop insurance. According to Louis J. Taber, Master of the National Grange, they would prefer such a program to the current one. The farmers would rather prepare for future droughts in a business-like manner than be forced again to beg for aid at relief agencies and bread lines.

The idea of crop insurance is not new. The first all-risk crop policy of which we have record, was issued by a private company located in Minneapolis in 1899. Since that time further attempts in this direction have been undertaken by various privately financed organizations, but none has proved successful. These agencies have not failed because they could not sell policies—in fact, farmers have always clamored for all-risk crop insurance. These companies failed because they did not compile adequate data before attempting to place their policies upon the market. Also they made the mistake of attempting to insure the farmer's income instead of his crops—a thing which they could not do, because of changes in commodity prices. Then, too, these companies, being operated solely for profit, did not carry large enough reserves to meet the emergencies. To sum this up in the words of several insurance executives, "These companies were not big

enough to swing the deal." And so, in discussing the issue, "Resolved: That Congress should provide a complete system of crop insurance," the Affirmative believes that any plan of insurance had best be turned over to the Federal Government. Just as the Federal Government took over the insuring of bank deposits, it will have to take over crop insurance.

We consider the term "insurance" to mean a social device whereby the uncertain risks of individuals may be transferred to a group, and thus made certain. And now, as to the word "crops"—for obvious reasons it is impossible for us to consider in detail every one of the crops grown in the United States—and so, for the purposes of this debate, we shall limit our discussion to three main crops: wheat, cotton, and corn.

And now, why do we need a plan of crop insurance? As I have said before, there have been many recent crop failures over which the farmer has had no control. And when these farmers lose their crops, naturally they lose their yearly income. When these farmers have no yearly income, they cannot buy other commodities. And when such a large number of our population lose their purchasing power, the whole country suffers. Then, too, because these farmers have no insured income, they are unable to meet payments on old age insurance or on other insurance policies. In other words, these farmers can have no social security whatever.

Now, to remedy this situation we advocate a system of sound crop insurance, the basic principle of which is to guarantee the farmer a minimum quantity crop.

In surplus years the farmer would throw a percentage of his crop into an insurance reserve. In bad years he would make up his crop shortage out of this reserve. The whole scheme is founded on a physical commodity basis, not a price basis. Prices have no part in our plan, only bushels of wheat, bushels of corn, or bales of cotton. Premiums are collected in quantities of crops—not money. Such a plan, we believe, will aid those farmers who have a surplus one year and a crop failure the next. Because many farmers have suffered ruination, regardless of market price, simply because they had no wheat, or cotton, or corn to sell.

Our plan would be non-compulsory. Inasmuch as we would make no attempt to control prices, it would not be necessary to have such a high percentage of farmers co-operating as was the case with the AAA. And since the percentage of sign-up can be relatively small, we believe that nothing approaching indirect coercion should be included in the proposed legislation. However, we would make it necessary for applicants to sign up for a period of from 3 to 5 years. This would help distribute the risk by making it impossible for a farmer to drop out on those years when a good crop was assured.

The individual farmer desiring crop insurance would apply to his local county committee submitting data as to his production over a specified period of years. His AAA records or similar evidence would be utilized. Then he would sign a policy agreement by which he would turn over to crop insurance authorities from one-to two-thirds of his yield above a certain base line.

In return, the government would contract to release to him a certain percentage of this in the event that his crop proved short. In arriving at the base line constituting average yield, we believe the government should use at least two factors of calculation. One factor would be the average county yield of a particular commodity. Then, the average yield of the individual farm would be taken into consideration. From these two averages, a figure could be reached which would form the base line upon which premium payments and insurance claims could be calculated.

The farmer would pay his insurance premium out of his excess yields. As we have seen, these payments would vary with different crops and different localities, ranging from one-third to two-thirds of the excess yield. This would skim off much of the surplus in a bumper crop year. These crops would be accepted for the government by local and terminal elevators under contract with the government to handle said crops under bond.

And now as to the payment of crop insurance by the government which is really a mechanical question. Theoretically, our plan calls for payment of losses in kind. But when a farmer's wheat crop fails, he is not interested in having the wheat due him shipped back to his farm. He wants to convert it into cash. It is possible then that actually the farmer would be paid off with warehouse receipts which he could sell, or that being notified of the amount of insurance wheat due him, he could order the government to sell it at the market price and forward the proceeds to him. But

these are matters of technical detail which are not difficult as matters of policy.

The farmer would be guaranteed not his full average crop, but only 75 per cent of it. As Roy M. Green of the Department of Agriculture puts it, "Crop insurance must assure enough return in bad years to keep the farmer operating safely, but it should not be so large as to encourage him to let the crop go."

This same expert also says that three-fourths of the average crop would give a farmer enough to meet taxes, mortgage payments, and other expenses until the next year, but that the farmer would be penalized to some extent for any shortage of yield. Thus there would still be an inducement to produce a full crop under our plan, despite the fact that the crop is insured. We would set up the machinery for our plan by using civil service methods, and would charge the expenses of administration into the premiums.

And so, while Mr. Daeshner and I do not believe any system of crop insurance alone would eliminate all the evils of agriculture, we do believe, as does Secretary Wallace, and many others, that such a system of sound crop insurance would complement our present soil conservation program and work to the benefit of the farmer and the people as a whole.

First Negative, Emil H. Jebe  
Iowa State College

I take great pleasure in welcoming the debaters from Emporia State Teachers College to our campus. We

are happy to continue these verbal battles which have been an annual event for our schools during the past five years. Since Kansas is famed as the land of wheat and we, here in Iowa, are proud of our corn, it is quite fitting that we should meet on this occasion to debate the question, "Resolved: That Congress should provide a system of crop insurance."

However, we of the Negative are afraid that an attempt has been made to mislead us. Mr. West has stated that there is a great interest in crop insurance. He would have us believe that the farmers are clamoring for it. We have been unable to discover that such is the case. Several conferences have been held recently to discuss crop insurance. In reporting these meetings the *Des Moines Register* of December 4, 1936, carried the following statement: "The wheat farmers placed four other proposals ahead of crop insurance. Their recommendations . . . were a disappointment to the administration which had believed there would be a general demand for crop insurance."

Mr. West has said that crop failures affect the stability of farm income. Again we are afraid we can't agree with him. Rather, crop failure affects only those farmers who do not harvest a normal crop. All the farmers do not suffer. The value of a short crop usually exceeds that of a bumper crop. This year, 1936, is a good example of this. In spite of subnormal crops in many regions the total farm income is much higher.

Now let us consider the plan. Mr. West has made the statement that crop insurance will stabilize the farm income. First of all, if the plan did work, would

it actually accomplish that? They would have us believe that foreign consumption has no influence on farm prices. Loss of foreign markets was one of the main reasons for the agricultural depression. Production control under the AAA was necessary to counter-balance the effect of this loss on farm prices and income. Certainly the fluctuations in foreign demand will continue to exert the same influence whether we have crop insurance or not. Likewise, our industrial payrolls have an even greater effect on the income received by the farmers.

What about the surpluses, if any, which might be built up under the insurance program by payments "in kind"? Crop failures and good crops do not alternate year by year. If this were true, everything would be nice and rosy; but usually several years of high yields follow in succession. During such periods, surpluses would accumulate and hang over the market like a shadow. Our memories are not yet dimmed. The valiant efforts of the late Federal Farm Board to prevent price declines by removing large amounts of grain from the market came to nought. Grain cannot be stored forever; it must be disposed of eventually; and then it will have its depressing effect on the market.

Next, let us consider the important practical difficulties that would be encountered if the plan were put into operation. "Sound" crop insurance has been the keynote of my opponent's remarks. As yet, we have not found the sound basis to which he so frequently referred. There is a total lack of any really accurate data which can be used for calculating the premium

rates of a crop insurance program. True, we have six years of data collected by the AAA, but we are all familiar with their accuracy. Even if the figures were fairly accurate, no insurance company would consider the short period involved to be truly indicative of what might be expected in the way of losses. Surely any attempt to institute a system of crop insurance on the meager statistical basis available would be a step into the great unknown. Such a venture might prove costly to the Federal Government, possibly to the tune of several hundred million dollars. The ill-fated attempt of the Farm Board to stabilize farm prices is a good example of what might happen.

Not only will the gentlemen have difficulty in finding a sound basis for their premium rates; but, we feel sure, that they will not secure an adequate cross section of risks. If they do not, their plan cannot succeed. Farmers in districts where crop failures are practically unknown, will not be interested. Farmers in other districts, such as the drier sections of the great plains, will be eager to sign on the dotted line. Because of these poor risks, prohibitive rates would be necessary to meet the high degree of losses.

As yet, we have not considered the administrative costs and the expense of storing the reserve necessary under the plan. The province of Saskatchewan in Canada has been dabbling with the subject of crop insurance. Their most conservative estimates showed that the administrative costs of crop insurance would be at least twenty per cent for the province. Now I know that my opponents will come back and say that

administrative costs under the AAA have been slightly less than six per cent of the total payments to the farmers, but that, Ladies and Gentlemen, is production control and not crop insurance. The AAA did not have to contend with loss investigation, closer supervision of farm management, amount of insurance to be written per acre, settlement of claims, and possible legal procedure over such settlement.

In addition, storage costs would be no small item of the total expense. True, cotton can be stored almost indefinitely at a fairly low cost. But for corn-on-the-ear, crib storage on the farm runs about one cent per bushel per month. Also, wheat presents a very special problem. Not only is the actual storage cost high—the same as for corn, twelve cents per bushel per year—but it deteriorates rapidly. After a year of storage wheat is unfit for milling purposes. This, as you know, would necessitate the changing of the stored wheat each year, and add another expense to the list.

It has been estimated that a reserve of 500 million bushels of corn and 300 million bushels of wheat is necessary for an insurance program. The cost of storing this huge reserve would be 96 million dollars annually without figuring the cost of changing the stored wheat each year. This, mind you, does not even take into consideration any of those administrative costs that our opponent so glibly passed over.

“Sound” crop insurance may be desirable in the minds of some of our present day “Braintrusters,” but I have shown that the farmers are not primarily interested in an insurance program as the Affirmative would

have us believe. Furthermore, there is no reason to believe that a sound and feasible insurance plan can be instituted at this time. The statistical basis for the insurance is lacking. Payments "in kind" give no assurance of stabilizing the farm income, and the administrative and storage costs will be so great that the plan cannot succeed.

Second Affirmative, Wilbur Daeschner  
Kansas State Teachers College

We have witnessed within this decade the fall of an economic system. We have experienced a world-wide depression, have endured summer droughts and spring floods, and have known the want of famine. It is because of these conditions, Ladies and Gentlemen, that we propose a plan of crop insurance—a plan that is devised not to be fool-proof from the start, but rather, one that will provide a workable foundation on which a better system can develop.

A plan of such wide scope may never be perfect; neither will the farmer's statistics of production, which Mr. Jebe referred to as inadequate, ever be complete. That is a cumulative process—not a prerequisite. For example, the only available statistics on mail carriage before the Federal Government started the post office was a string of failures by private companies. Today, we point with pride to our successful postal system, still profiting by past mistakes.

Mr. Jebe has told you that the farmers do not want all-risk crop insurance, but statistics of private com-

panies offering such policies show that they were swamped with applicants. Perhaps these farmers were the ones who had the greatest risk of loss, but even the best of farms and farmers suffered from the droughts of 1934 and 1936. Most farmers admit the advantage of such limited policies as fire and hail insurance. How much greater advantage to the individual farmer would be a system of all-risk insurance.

Furthermore, our plan provides a system of graduated premiums which demand greater payment in accordance with the degree of risk. And even though the payment be large for the western-Kansas wheat farmer, most any intelligent person would rather pay a large premium and have seventy-five per cent of his crop insured than exist in the abject poverty of the past six years. As final proof of the farmer's desire for all-risk insurance, I refer to the report of the President's Crop Insurance Committee, made up of over one hundred representatives of all the important farm organizations. This committee favors some system of crop insurance as a corollary program to other agricultural policies.

Although our plan does not aim to stabilize the market as Mr. Jebe infers, you can see for yourselves what a guarantee of seventy-five per cent of the average crop would do to stabilize the market price. A further stabilizing tendency is that, under our plan, the farmer's premium will be laid away in good years, thus cutting down some of the excess on the other end of the scale. So, while we do not absolutely contend that market prices will be stabilized by such a plan,

we ask you to consider for yourselves how the economic law of supply and demand would function under such conditions.

The cost of administrating the AAA is computed by Mr. Jebe and the Federal Government to be approximately between five and six per cent of the total expenditures. One of the leading companies in the crop insurance field estimates that its cost of the small volume of business done in the past has averaged about thirty per cent. But according to the National Industrial Conference Board Bulletin of October 20, 1936, no system, including Secretary Wallace's plan which is practically identical with ours, could operate on less than twenty per cent of the pure premium rate.

Ladies and Gentlemen, if a private insurance company can administer its policies at thirty per cent of premium incomes providing only partial coverage on crops, and still make a profit, surely the National Government can operate on a civil service basis with a minimum of twenty per cent operating cost of an all-risk premium.

Let us consider in conclusion the advantages of such a plan of crop insurance. We are all aware that one of the fundamental reasons for depression is the mal-distribution of money. A great mass of our population, among which the farmer is included, has little or no income. Hence, they cannot buy, and the demand for products decreases. Laborers are laid off; industries go broke; and a whole series of events plunge us deeper and deeper into chaos. The crop insurance, which we advocate, would secure for the farmer, both

as an individual and as a class, an existence-level income to spend for the necessities of life.

By so doing—first, it will minimize the need for relief, aids, and emergency loans, which have developed during these times of stress. Second, it will provide social security for the farmer because he will already be assured of some income and with it he can stimulate private insurance business by buying life insurance, old age insurance, or any other policies which he may want. Third, I repeat the words of my colleague, Mr. West, “While we do not believe that any system of crop insurance alone would eliminate all the evils of agriculture, we do believe, as does Secretary Wallace, that such a system of crop insurance would complement our present soil conservation program.”

Ladies and Gentlemen, we are all aware of the present crisis in agriculture, brought on by the experience of centuries and emphasized by the droughts of 1934 and 1936. Thinking people everywhere admit the doom of agricultural America unless the government does something to assure the farmer of an income.

Mr. West and I fully realize the small imperfections of any plan that we may propose, but it is not a plan which we seek to hold before you this morning. We believe in an ideal. Not a theoretical concept of Utopia, but a practical ideal that appeals to the practical millions of fair-minded, far-seeing Americans. We do not favor a continuation of relief projects and emergency loans for the farmer which has helped to drive us into a national debt of billions of dollars. We are

ready now to build again, profiting by the benefit of our mistakes, a more permanent economic machine. One of the cogs in that machine will be a crop insurance program run on a business-like basis where the farmer, instead of begging like a pauper for relief funds, will pay his own premiums and benefit from his own money.

Second Negative, Roger W. Fleming  
Iowa State College

I wish to confirm my colleague's statement of our pleasure in meeting you gentlemen from Emporia State Teachers College in an intercollegiate debate.

Mr. Daeschner would have you believe that the cause of our late depression was very simple—merely a slight maldistribution of money. I only wish I could believe that it really was that simple.

Mr. Daeschner has cited a rather pretty analogy between the founding of the postal system and their attempt to establish a system of crop insurance. It might be mentioned, however, that there is considerable difference between the government carrying a three-cent letter from Podunkville to Squaw Creek and an attempt to assume crop risks amounting to three billions of dollars—an estimate made by Secretary Wallace.

First of all, has the Affirmative given any proof to us that their premium rate will be sufficient to make the plan practicable? Let us turn to the United States Department of Agriculture *Yearbooks* for information on this question. We find that in the states where

crop failures are most prevalent, premiums of one-third to two-thirds of the surplus will not be sufficient to cover losses. Taking corn, for example, it is interesting to note that in South Dakota during the past fifteen years it would have been necessary to take the entire surplus to pay the losses; in Nebraska eighty per cent; in the Affirmative's own state, Kansas, fifty per cent of the surpluses would have been necessary. You can easily see for yourself how high the premiums would necessarily have to be. We of the Negative cannot understand how, in the light of the facts presented, the opposition can still maintain that their plan is a feasible one. Please consider this point carefully, Ladies and Gentlemen, for such figures do not include the administrative and storage costs involved. Mr. Daeschner admits that administrative costs alone will constitute twenty per cent of the premium payments. Do not forget that this does not take into account the storage costs that would necessarily be present.

Our opponents have not touched on the cost of storing the surpluses that will be built up under the Affirmative's plan. Since these costs must amount to at least 90 million dollars annually, they are surely worthy of some consideration by Mr. Daeschner. My colleague, as you remember, ably pointed out the fact that it costs one cent per bushel per month to store corn or wheat. It seems that the Affirmative completely ignored this issue. We can well realize why they have done so. Any plan involving such costs of administration and storage as this, is surely worthy of

our deepest consideration before jumping blindly into it.

Mr. Daeschner has cited the President's Crop Insurance Committee as authority for his contention that there is a widespread demand for Crop Insurance. It might be pointed out that the President's Committees have favored everything from the Florida Ship Canal, which it is believed will pollute the water supply of several cities, to the Passamaquoddy Tide Water Project.

Mr. Daeschner has given us a rather sketchy discourse on economic theory without centering his attention on the issues of this debate. The opposition has attempted to lead us into believing that its plan will stabilize incomes. They have failed to consider the arguments, advanced by Mr. Jebe, that many things besides the size of the crops affect the size of farm incomes. Mr. Daeschner has merely said that the individual farm incomes would be stabilized, without proving it.

My colleague, Mr. Jebe, dwelt at some length on the effect of huge surpluses hanging over the market like a shadow. This happened in the venture to remove surpluses under the Federal Farm Board Plan. To repeat the words of Mr. Jebe, "Our memories are not yet dimmed." Such must not be the case with the gentlemen of the opposition for they would lead us into a similar situation. Then, too, under a plan of crop insurance these surpluses would always be present—to be disposed of at the whim of Congress. You

realize the depressing effect that this uncertainty would have on the grain market.

The Affirmative seemingly has great faith in the ability of its plan to provide social security and other suggested needs for agriculture. Mr. Daeschner suggests that his plan will stimulate private insurance business as a result of the contemplated income increase. He must first prove that such income increases would be the net result. Secondly, the question of the desirability or probability of the farmer investing this contemplated income increase in another form of insurance is not an issue in this debate. However, I am sure that Mr. Jebe and I would be only too glad to meet the gentlemen from Kansas on such a question at some future time.

I have shown you, Ladies and Gentlemen, that the plan of the Affirmative is not a practicable one—it will not work because: (1) Administrative costs will consume too large a percentage of the premiums paid; (2) Storage costs would be very large; and (3) Statistics taken from the United States Department of Agriculture *Yearbooks* for the past fifteen years show that without considering administrative costs and storage expenses, as much as 100 per cent of the surpluses would often be required to pay indemnities in lean years. Furthermore, I have shown that storage costs would be a very important item. This point was not touched by the Affirmative. Then, too, we have shown that the surpluses built up would have an effect on the market similar to the grain stored by the ill-fated

Federal Farm Board. Friends, let us think carefully before we burn our fingers a second time.

**Negative Rebuttal, Emil Jebe**  
**Iowa State College**

In the short time allotted me I shall attempt to survey what has been presented in this debate. First, the Affirmative has maintained that the farmers are clamoring for crop insurance. But we of the Negative have shown that the clamorers are not the farmers. Recent news reports definitely show that farm organizations are primarily interested in other matters than crop insurance. I quoted one such article which the Affirmative has seen fit to disregard.

The Affirmative's next argument is that we need crop insurance to stabilize farm income. I have shown previously that such would not be the case. May I repeat again that they seem to have forgotten the ill-fated Federal Farm Board. Any attempt to build up the huge surplus which would be necessary under their plan could not fail to have anything but a depressing effect on the market.

The gentlemen from Kansas contend that they would be able to guarantee the farmer a minimum income, but they have failed to prove the workability of their plan. The idea of crop insurance may sound good. Theory is one thing, but practice is another. Mr. Fleming and I have pointed out important difficulties which would be encountered.

The insufficiency of the present statistical data can-

not be disputed. Mr. Daeschner, in attempting to cover up the strength of this issue, tried to draw an analogy between the postal system and his crop insurance plan. We fail to see that the kind and amount of data is comparable. Three-cent stamps and wheat crops worth millions cannot be discussed in the same breath. Do not forget that Secretary Wallace, himself, estimated that the government might be involved to the extent of three billion dollars in a single year.

Another vital objection is the impossibility of securing an adequate cross-section of risks. The Affirmative has admitted the failure of private companies in the crop insurance field. Why have they failed? All authorities admit that it was due to the poor risks which they insured. What is to prevent the government from securing this same type of risks? As the plan is to be non-compulsory, the areas which seldom have a failure will not be interested in crop insurance. Only once in the past thirty years would the majority of Iowa corn farmers have received any benefits under such a plan as the Affirmative advocated. In South Dakota, however, in nine years of the last thirty, or one out of every three years, benefits would have been received by the majority of farmers. You can see that Iowa farmers who comprise the good risks, would be unwilling to pay premiums for twenty-nine years to secure benefits in one year. Do you think the South Dakota farmers would be adverse to paying premiums two years in order to receive immense benefits the third?

The final practical difficulty is the tremendous cost

of the plan. They themselves have admitted that the administrative costs would be excessive. Mr. Daeschner said a minimum of twenty per cent would be needed. You can easily see then that one out of every five bushels of the "in kind" premiums would be required to defray the administrative expenses of the plan.

In addition to this, the storage cost must be considered. I pointed out that the minimum cost of storage for corn and wheat would be ninety million dollars annually. Need I repeat that the gentlemen from Kansas have totally ignored this fact? It would appear that such an item would deserve at least some small attention.

Now, Ladies and Gentlemen, we, the Negative, have shown that the farmers are not primarily interested in crop insurance. We have likewise pointed out that the surpluses built up under the plan would have disastrous effects on the market. And finally, we have pointed out very serious objections which must be met if the plan is to be successful. It is for these reasons that we know that an adventure into the field of crop insurance would be a costly mistake.

**Affirmative Rebuttal, Kenneth West  
Kansas State Teachers College**

I'm very glad that Mr. Fleming has recognized the intelligence of my colleague, Mr. Daeschner. But Mr. Daeschner did not say that the cause of the present depression is the maldistribution of money. He said

that one of the fundamental reasons for depression is the maldistribution of money. And that, Ladies and Gentlemen, is a fact that has been recognized by the world's leading economists for many years.

The gentlemen from Iowa have met my statement that the farmers want crop insurance by referring to a newspaper report showing that at some meeting or other it was found that the farmers placed four other proposals ahead of crop insurance in importance. Perhaps in this world there are things which the farmers desire more than crop insurance. But that certainly does not prove that the farmers do not want crop insurance also. In 1920, the Hartford Fire Insurance company alone issued approximately fourteen million dollars worth of all-risk crop insurance. And as I said in my first speech, no company has ever failed because it was unable to sell all-risk crop insurance policies. So it would seem than the farmers do want it.

I then made the statement that when farmers lose their crops, they lose their yearly income. And when they lose their yearly income, they cannot buy other commodities. And when such a large number of our population lose their purchasing power, the whole country suffers. Mr. Jebe has met this by saying that, during years of crop failure, those farmers whose crops do not fail get higher prices for their crops. And so the total farm income is about the same. But, Ladies and Gentlemen, an unequal distribution of money most certainly does exist. Those few wealthy farmers will buy only the food, clothing, etc., that they actually

need. And all those farmers whose crops failed will either starve or go on relief.

Next, the gentlemen from Iowa have gone to some length in telling you how our accumulated crop surplus would put fear into the market as did the late Federal Farm Board. But under our plan, the only time the government would ever sell these stored crops is to get enough money to pay the actual claims of those farmers whose crops had failed. Thus, only a normal flow of these crops could reach the market.

The special crop insurance committee, which my colleague referred to as favoring crop insurance, met on November 7, 1936, and was composed of over one hundred prominent farm leaders as well as the President of the United States and his advisers.

Now let us consider this "enormous" cost of storage which Mr. Jebe has attempted to establish. He has estimated that a reserve storage of 300 million bushels of wheat is necessary. But it was shown in a detailed report of the President's Crop Insurance Committee that if half the total wheat acreage in each state of the nation had been insured between 1930 and 1935, the maximum accumulation of reserves would have been only 72 million bushels. Also, prominent grain elevator executives have indicated that they would be willing to cut present storage expenses by as much as 50 per cent in view of the certain increase in their business. And certainly the more wheat stored, the lower the storage rate would be.

Mr. Fleming has then attempted to show our proposed premium rate would not be sufficient to cover

losses by considering one crop in three states. But in the report of the President's Committee, we find that if half of the wheat acreage in each state of the nation had been insured during the years 1930 to 1935, there would have been approximately two million bushels left after all claims were paid.

And finally, the gentlemen from Iowa have attempted to lead you to believe that the successful corn farmers of Iowa would have to pay for the losses of the corn farmers of North Dakota. This is certainly not true. Just as a man eighty years old must pay a higher premium for life insurance than a man of twenty, then, too, a farmer whose land shows a greater risk must pay a higher premium than a farmer whose land shows lower risk. Our plan is non-compulsory, and a farmer certainly does not have to sign up unless he has something to gain.

Now, Ladies and Gentlemen, I believe we have shown you that the farmers do want crop insurance. We have told you how it would bring about a better distribution of farm income, and we have explained how we would put into operation a plan of non-compulsory crop insurance. Mr. Daeshner and I believe that Congress should put into operation some similar plan—not designed to eliminate all the evils of agriculture—but one which will help the American farmer by making it possible for him to insure his crops in a business-like manner. In this way, during those years of crop failure, he is not dependent upon charity and relief for the existence of his family.

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GOVERNMENT OWNERSHIP OF  
ELECTRIC UTILITIES

*An Exhibition Debate with Critic Judge  
Decision*



## GOVERNMENT OWNERSHIP OF ELECTRIC UTILITIES

### *UNIVERSITY OF WISCONSIN AFFIRMATIVE VS. OHIO STATE UNIVERSITY NEGATIVE*

Before an audience of high school debaters and their instructors as part of a program to aid in interscholastic debate, the Universities of Wisconsin and Ohio presented the following discussion on the subject of government ownership of electric utilities which was the National High School Subject for the season of 1936-37. The debate was held at the University of Wisconsin, early in the fall at the beginning of the debate season. It was presided over by Supt. M. A. Fischer, President of the Wisconsin High School Forensic Association and the Critic Judge decision was given by Professor Alan H. Monroe of Purdue University, Lafayette, Indiana.

The National High School Question was stated: *Resolved, That all Electric Utilities should be governmentally owned and operated.*

The speeches were collected and contributed to Intercollegiate Debates by Professors H. L. Ewbank of University of Wisconsin and C. Emory Glander of Ohio State University.

**First Affirmative, Robert Gunderson  
University of Wisconsin**

MR. CHAIRMAN, LADIES AND GENTLEMEN: This evening I am happy to have the opportunity of welcoming the gentlemen from Ohio State University to the University of Wisconsin. My colleagues and I are pleased to have the privilege of debating with them the question of electric utilities. All of us realize that if the flow of electricity should suddenly cease it would

be a major catastrophe of unimaginable magnitude. Our homes and streets would be in darkness; factories would be forced to shut down, and the water supply would be cut off. The fact is, as the report of the Federal Power Commission has said, that electricity has come to be almost as essential an element to our daily life as the food we eat and the water we drink. We are truly living in the dynasty of the dynamo.

Tonight we are concerned with the question of whether or not this important commodity is to be exploited for private profit. As the question is formally stated it is: "Resolved: That all electric utilities should be governmentally owned and operated." We interpret this to mean that all agencies producing and distributing electric light and power for sale to the public should be publicly owned, operated and controlled. Those of us on the Affirmative believe this question is essentially one of whether service or profit is to be the paramount objective in the electrical industry. For some time now, the question has been debated in our legislatures and in our political campaigns. We have seen a dramatic example of public ownership in the TVA, and back in our communities I imagine many of us have seen governmental attempts at rural electrification, but while these huge governmental undertakings have been in progress, shocking disclosures have been made concerning the practices of the private utility. The investiture of the Federal Trade Commission, the rise and fall of Insull and Foshay, and general uncertainties in business structure all contrib-

ute toward making the topic this evening one of singular importance.

This evening I will discuss abuses under private ownership which cannot be effectively regulated. My colleagues will continue our case by showing first that public ownership of electric utilities will result in widespread financial benefit; and second, show how it will result in social advantages impossible under any system of private enterprise. But first, why is it we have singled out the electric utilities for government ownership? Why is it that they, more than bakery shops or grocery stores or any other business, should be singled out as a public enterprise? We think they should be because the ownership and distribution of electricity is a natural monopoly of a necessity vitally affecting the public welfare. In other words, electric distribution is essentially a service enterprise rather than a profit-making enterprise. As such, electric utilities, like our postal department, our schools, and our roads should be operated in the interests of the public rather than in the interests of financial manipulators who are dominated not by a desire for service, but who are motivated solely for selfish profit. This desire for selfish profit has led to abuses which regulation cannot correct. Inadequate service for our farm population, over capitalization, excessive profits and salaries, high rates, and financial crashes—all these are dramatic evidences of the failure of regulation.

First, let us consider rural electrification in America under private ownership. Only twelve per cent of our farms have electrical service, while in foreign countries

under public ownership rural electrification is almost universal. In New Zealand eighty per cent of the farmers have electric power, and in Germany ninety per cent—yet in rural America only twelve per cent. Regulation of private enterprise has certainly failed as far as the farmer is concerned. But then let us look at over-capitalization, what has regulation done for that? Has it aided in taking away watered stock? How much water is being changed into gold? In 1935 the Federal Trade Commission found that the private utilities were receiving one hundred fifty million dollars yearly on one billion five hundred million dollars of absolutely fictitious value. Along with over-capitalization go the twin evils of excessive profits and salaries. In Alcorn County, Mississippi, it was found that one-third of every dollar taken in was clear profit for the utilities. In the report of the Federal Trade Commission we find that some utility profits soared as high as one hundred thirty-eight per cent upon the investment. Such excessive profits lead to excessive salaries for the financial over-lords, some of which, as in the case of W. B. Foshay, were over \$300,000 a year, and also lead to enormous dividends for a favored few. One must conclude that regulation has been ineffective when such excessive profits and salaries are prevalent.

But just how do such practices affect the consumer? There can be but one answer, and that is high rates. At the World Power Conference in Berlin our Ambassador, Fred M. Sackett, said he knew of no other industry where the sale price of the product was equal to fifteen times the actual cost of production. Let us

look for a moment at the comparative rates of public and private enterprise. Now, obviously, we can't examine every local situation, but according to the electrical census of 1932 we find that the average residential rate for public enterprises was 1¢ lower per kilowatt hour than that for private. Here in Wisconsin the average rate for publicly owned plants is  $6\frac{1}{2}$ ¢ per kilowatt hour as compared with 8¢ for the private plants. In other words, in Wisconsin the average rate for publicly owned plants is eighteen per cent lower than those of private industry. Thus, under a system of regulation we see how in one way or another all the profits and all the salaries come directly through the exploitation of the consumers in the form of high rates.

But not only has regulation failed to protect the consumer, it has also failed to protect the investor. In 1929 about forty per cent of the utility industry was concentrated into the hands of three large holding companies, Insull's, United Corporation, and Electric Bond & Share. Insull stock dropped from \$75.00 a share down to practically nothing; Electric Bond & Share dropped from \$79.00 down to about \$1.50; and United Corporation stock dropped from \$189 down to around \$3.00. Thus we see how forty per cent of the stockholders in the electrical industry lost almost their entire investment.

I think we have seen evidence enough that regulation has failed—failed to protect both the consumer and the stockholder. It has failed because of certain inherent defects arising when one attempts to divorce ownership from control. When regulatory bodies at-

tempt to remedy abuses, they find it impossible to determine fair rates; they are confronted with ceaseless court litigation; and millions of dollars are spent to defeat the public interest. The newspapers, and often even the schools and regulatory commissions themselves, are controlled by the private utilities. Let me cite a few examples of these defects inherent in any system of regulation. W. J. Spalding, President of the Illinois Municipal League says the cities of Illinois no longer have any confidence in our commission on account of campaign contributions by the large utility corporations. In New Mexico, Wyoming and Colorado, G. E. Lewis, representing the utilities, is going to place text and reference books in every high school and university in those three states. In one Manhattan rate case in New York the utility spent over five million dollars in seven years in order to defeat the public interests, and every dollar they spent was paid for by the public whose interests were being flagrantly thwarted. To talk of regulation when it is riddled with such abuses is only to perpetuate the existing evils. Consequently, this evening the Affirmative contends with George B. Eastman, Federal Co-ordinator of the Railroads: "When an industry becomes so public in character that intimate regulation of its affairs becomes necessary, it should cease to masquerade as a private industry; and the government should assume complete responsibility, financial and otherwise." This evening, with Mr. Eastman, we believe that regulation is inherently defective, and we ask that the public own

and operate the electric utilities for service and not for profit.

First Negative, Paul Strader, Jr.  
Ohio State University

MR. CHAIRMAN, LADIES AND GENTLEMEN: We of Ohio State University are pleased to acknowledge the welcome offered by Wisconsin this evening. Now, the first affirmative speaker has presented for your consideration several facts. In the first place, he pointed out that the crux of this whole question is whether we shall have a service motive or a profit motive. From the very beginning, we in this country have recognized that the electrical industry is not solely one for profit, but that it involves service; and as a result, from the very beginning we have instituted regulatory measures which today are effective. So we see therefore that the question today is whether we shall remove the profit motive completely in favor of the service motive.

The first affirmative speaker has presented for your consideration several indictments of the present system. For example, he said that today there are abuses in that we have excessive salaries, one and a half billion dollars in over-capitalization, and as a result, higher rates. He pointed out that we in America are lacking in rural electrification. But how did he prove we are lacking in rural electrification? This is what he did. He compared it with a foreign country. Is this a valid comparison? The overall average for electrical industries in rural communities in this country is twelve per cent, but America is a sparsely settled

community. In other words, comparing a thickly settled European country with the entire American nation is not a valid comparison. For example, in the United States' thickly settled areas, in some cases better than ninety-eight per cent of these states have rural electrification. For example, New York has ninety per cent rural electrification. Thus, taking a similar situation in this country, we do have rural electrification.

Let us take up these excessive salaries that were paid to Mr. Insull. We do not indict the entire system because one man earned an excessive salary. Let us have some more examples. What is the overall average? According to Governor Ritchie, writing in September, 1931, the salaries and wages paid in the electrical industry amount to about \$1500 per individual. In other words, we do not have excessive salaries in the electrical industry.

Consider this one and a half billion dollar over-capitalization. When did that over-capitalization occur? Ten years ago. Is it a present evil? Does it afford a reason why we should now destroy the entire system? Let us delve into this further. There are twelve billions of dollars of assets in this country in the electrical industry. One and one half billion over-capitalization then is only about ten per cent. Then take ten per cent and charge rates for it. Spread it over 25 million consumers and we see that the effect is negligible. In other words, the Affirmative have presented for your consideration certain elementary facts which, when investigated, do not prove their contention.

Let us have a clear understanding of the real issue in this debate. Most of the electric utilities in the United States are privately owned and operated under government regulation. During the present administration the Federal Government created the Tennessee Valley Authority. Its principal purpose was to establish a yard-stick for the measurement of the cost of electricity and fair rates. Its purpose was not to put the private utility out of business. We are not concerned tonight with such yard-sticks. The Affirmative proposition proposes to put the entire industry, the business of selling electrical energy and service to over twenty-five million consumers, under a government system.

Now then, let us inquire at the outset whether conditions justify such a revolutionary upheaval. It will be my purpose to show you that present and past experience does not justify the destruction of all electric utilities. First of all, the electrical industries, privately owned and operated, have extended low cost electricity to the largest number of consumers. With great rapidity they are extending service to both rural and urban communities. Since 1922, the number of customers has doubled. Today every community in the United States over 1000 population has service. Service is being gradually extended to all farmers in this nation. In 1922, only two per cent of the farms were electrified. Today twelve per cent have electrical service. In view of these service benefits we ask this question: Through what reasoning process does the

Affirmative conclude that all electrical industries should be destroyed?

Moreover, the electric utilities are reducing your rates in a period which has been marked generally by a rise in prices. In a fourteen year period, your prices have risen almost forty per cent. In this same period your electrical rates have gone down thirty-two per cent. Today, the private electric utilities are seeking further means of reducing your rates. For example, the Commonwealth and Southern Corporation has inaugurated what is known as the objective rate plan. In view of these savings to you in dollars and cents, we again ask: why should all electric utilities be destroyed?

Now, of course, we do not contend that private management has been entirely faultless. The Affirmative has mentioned certain abuses. We admit that in the past, unfortunately, certain evils have arisen; but we do contend that the existence of these evils does not justify the destruction of the entire system, unless under government regulation we cannot eliminate these evils. Now then, what is the truth about governmental regulation? We contend that governmental regulation today effectively protects the public from any possible exploitation. In the past, as pointed out by the Affirmative, state commissions were undoubtedly inadequate. Today they are effectively regulating the utility industry. In fact, Dean Curtis, of the University of Missouri School of Business, says that in many matters current regulation practically constitutes management. Already state regulatory commissions have

increased power. In five states, for example, these commissions can suspend payment of dividends to stockholders. The Wisconsin Commission up to 1932 had issued five such suspension orders. Twenty-one states are now regulating intrastate service contracts between companies.

In the past, perhaps the main weakness of regulation was the inability of state regulatory commissions to control interstate utility problems. By 1925, sixty-five per cent of the operating companies were under control of the public utility holding company, as mentioned by the Affirmative. Now, Ladies and Gentlemen, through the Public Utility Holding Company Act of 1935, we are effectively regulating the interstate utility problems. What are some of these problems which are regulated by this act? Section 1 declares that some of these problems arise: (1) when operating companies are subjected to excessive charges for services, equipment and materials; (2) when the growth of the holding companies bears no relation to the economy of management and operation; (3) when securities are issued upon the basis of fictitious asset values. Now then, what does this new act intend to do? Section 1 also says that it is the policy of this act to meet the problems enumerated and to eliminate them. It goes on to say that we shall compel the simplification of holding company structures and provide as soon as possible for the elimination of some holding companies. In other words, Ladies and Gentlemen, all of the evils alleged by the Affirmative are met by a new federal regulatory statute.

Let us summarize. We have seen that the private electrical industry has made substantial progress in reducing your rates and extending service to all of you as consumers. Furthermore, the Federal Government and states today are effectively protecting your interests within the states. Therefore, we conclude that there is no logical justification for the adoption of the Affirmative's proposal.

**Second Affirmative, Byron Johnson  
University of Wisconsin**

**LADIES AND GENTLEMEN:** I would like to correct a few impressions left by the last speaker. He gave you the idea that the present federal act was taking care of all these evils we were talking about. It may interest you to know that the holding companies were supposed to register under the Federal Utility Act on the first of last February, but up to date not a single holding company has registered under that act, and that act is to all intents and purposes not even on the books. Instead, the holding companies are suing the Federal Trade Commission for interfering with their activities, so all isn't quite well in the electrical field today.

My colleague, the first speaker, pointed out that electric utilities are a natural monopoly. In the past, the policy of regulation in regard to monopoly has not corrected these abuses. Indeed, it can not correct these abuses because they are inherent in the profit system and holding company structure which the new act does not eliminate. It merely eliminates a few of them and

still leaves the others. I will point out that government ownership is a sound business policy. Let me briefly outline the plan. We divide the electrical industry into two classes, generation of power and distribution. Generation should be by state and Federal Government. The Federal Government generates power at federal water power sites, and the state government owns and operates all other plants. This will allow the use of larger, more efficient and centrally located plants and discard some of our small inefficient and expensive plants—in other words, a lower per unit cost. And the distribution lines, we would have them owned by the municipalities and other local units. It will give us local autonomy. At present the control is centered in Chicago and New York, and local people have no say of how industry should be run; but under this plan of public ownership they would run it in their own interests. We would have a system co-ordinated by a Federal Co-ordinating Body, and to set the system into operation we propose a federal corporation similar to the Reconstruction Finance Corporation. This would handle the temporary problem of the shift from private to public ownership and then would become the co-ordinating body. It would set certain standards and procedure such as a uniform bookkeeping system and the merit system of civil service, and by these eliminate the evils that are present in private ownership.

The gentlemen charged this is a revolutionary subject, complete government ownership of all electric utilities. On the contrary, it is an extension of an

accepted principle working today. Today there are 1800 municipalities owning and operating their own electric utilities, and quite successfully, too, and it is interesting to note the first effect of public ownership has been a reduction in rates. The town of Fort Wayne, Indiana, reduced the cost of electricity from 10¢ to 7¢; at Webster, Iowa, from 10¢ to 6¢; Cleveland, Ohio, from 10¢ to 3¢; Eugene, Oregon, 15¢ to 4¢; Seattle, Washington, 20¢ to 5¢, etc. Cleveland, Ohio, in cutting her rates had saved by the end of December, 1930, 39 millions of dollars to customers through reduced rates, according to the statement by Edward J. Keanely, electrical engineer for the Cleveland plant.

We have had government ownership of other vital services. Seventy-five per cent of our cities own and operate their water works serving ninety per cent of the urban population. Sewage disposal systems are municipally owned. We have an educational system worth fourteen billion dollars—ten per cent more than the total cost of all electric utilities in this country. We have a postal system with delivery to nearly every door in the country, libraries, roads, bridges, parks, playgrounds, public health departments, hospitals, courts, police and fire departments—all public or government ownership and operation of vital services. There is no protest today in these fields, although in times past we heard protest just as we hear it in this field; but we recognize today these are operating effectively and economically. No one suggests we give these back to private industry. Yet we see no dis-

tinction between the service of electricity and water or roads or education or postal delivery. Now let us contrast the two systems. The private system is organized for profit; and in pursuing profit, it is led to adopt certain procedures we object to most heartily: over-capitalization and over-evaluation. This is necessary to get higher rates, and high rates are necessary to get high profits; and then we have high salaries and excess dividends to distribute these high profits; and we have propaganda machines to see to it that regulatory bodies and legislatures do nothing against them. On the other hand, we offer a system of public ownership where the most extensive service at the lowest possible cost is the criterion. With the profit motive forever gone, the holding company forever banned, these abuses in private ownership will be gone. There will be no high salaries. Each of the three directors of the TVA, and it is a job comparable to the presidency of a large corporation, receives \$10,000—not a half million dollars as Insull did—no loss to stockholders. Government securities have been the steadiest issue on the bond market through prosperity and depression. There would be lower rates, there would be no propaganda machines as I have mentioned, and instead of over-capitalization we would have a steadily lowering of capital costs. Public plants amortize their debts and pay them off. Alvin Reis, former counsel for the Wisconsin Commission, testifying before a committee of the New York legislature, said, "A survey shows that the debt against municipal utilities in Wisconsin is only 12.7 per cent of their value, and the debt

against private utilities is 88 per cent of their value." These figures speak for themselves. Municipal utilities in Wisconsin have retired their bonded indebtedness and they have amortized their debt. Instead of over-capitalization and increased capital costs, they have steadily lowered capital costs with eventual elimination. Guy E. Tripp, Chairman of the Board of Directors of the Westinghouse Company, is authority for the statement that "over 80 per cent of the cost of production of electricity is fixed charges or capital costs." Under private ownership these costs increase; under government ownership they decrease and are eliminated.

The result is obvious. With capital charges eliminated, even lower rates will be possible under government ownership. We could go on and demonstrate other features of government ownership that make it a sound business policy. The United States Bureau of Census statistics show the investment per kilowatt hour of generating capacity in municipal utilities is 11 per cent lower than in private companies. Interest charges under government ownership are lower than under private enterprises. The government secures better bids and prices. Dr. Frank Woodruff, after studying municipal and private utilities in California, discovered from the statistical data he gathered, that in municipal plants maintenance expenses are lower, commercial costs are lower, general expenses are lower.

The gentlemen said the industry has advanced so remarkably under private ownership that we should continue private ownership. May I point to Seattle?

The annual report of Seattle for 1934 calls to our attention that, besides cutting the rate 72 per cent, Seattle has consistently pioneered in electrical development. The first use of high voltage was in Seattle. The first low voltage Tungsten lamps were used in Seattle. In 1913 Seattle received the first gas filled lamp ever made, in recognition of its pioneering. No employees were discharged during the depression. In other words, progress for the public does not rest with private ownership. Public ownership has been equally effective. We have seen that certain inherent abuses are present in private ownership of this industry; that regulation is incapable of correcting these and, therefore, we must have government ownership. We also find that government ownership has had long success in this field. By its very nature it is free from abuses of private ownership; and it has certain advantages: lower costs and lower rates which would make it a sound business policy. There are certain social benefits which accrue to public ownership. It is effective and we ask your support for complete public ownership of all electric utilities.

Second Negative, Paul Liber  
Ohio State University

MR. CHAIRMAN, LADIES AND GENTLEMEN: My opponent has stated that the Public Utility Holding Company Act is not successful and will not be successful because the companies are not registering. A release from the Securities Exchange Commission on October

5, 1936, announced the publication of its registration form for holding companies under Section 5 of the Public Utility Holding Company Act of 1935. This applies to sixty-five companies which have registered through filing of notification. These sixty-five companies must complete registration within one year. Here are sixty-five companies which have voluntarily registered under this act, not being forced to.

In my constructive argument I dealt with the very situation that my opponent has mentioned—the matter of financial benefits.

Thus far we have seen there is no justification for the destruction of all privately owned electric utilities. Hence, we concluded that the Affirmative's proposal has no logical basis.

Let us just suppose, however, that government ownership of all electric utilities were to occur. Would it be an economic success? I shall show you that government ownership and operation of all electric utilities is unwise from a sound business point of view. In the first place, experience shows that governmental ventures into the field of business have been economic failures. My opponent says they have been a success. He has given you examples of government in business, but he has not shown you that those ventures which the government has undertaken today are not costly to you as taxpayers, more costly than they would be under private ownership. Except for the World War period, the federal postal system has operated at an enormous loss for more than one hundred years. The Inland Water Ways Corporation, created by Congress

in 1924, has operated at an annual loss since that time. The Reclamation Project, started in 1902, is another financial failure yet to be paid for. The United States Railroad Administration during the World War cost the taxpayers of this country more than one and a half billion dollars.

The states first failed in their business enterprises when they undertook the construction and operation of turnpikes and canals. Twenty-three states have failed in their attempt to own and manage banks. The attempts of seventeen states to engage in the railroad business have proved uniformly disastrous. South Dakota serves as a graphic example of the result of such failures. The taxpayers of that state are burdened with a debt estimated at thirty-five million dollars.

The failure of municipalities in business has been no less. A loss of four and one-half million dollars has accrued during the eighteen years that San Francisco has owned its municipal street railway. The Detroit street railway has run up a loss of twenty-five millions of dollars in fifteen years. During 1932 the Seattle municipal street railway operated at a loss of more than \$2,000 daily, and a similar condition has existed for a number of years.

Now, countless other examples could be cited. However, we believe these are sufficient to establish the contention that governmental ventures into the field of business generally have been economic failures.

Since we are debating the question of electric utilities tonight, let us look at the ventures of the govern-

ment into the electrical industry. Experience also shows that governmental ventures into this electrical industry have been economic failures. By economic failures, I mean that these plants fall into one or more of the following classifications: some governmentally owned plants operate at a loss and at the taxpayers' expense; some have failed to provide adequately for the upkeep and maintenance of their plants; some have failed to lower rates to you, the consumer.

During the past fifty years, approximately four thousand municipalities in this United States have experimented in government ownership and operation of electric utilities. Only eighteen hundred, Ladies and Gentlemen, or less than one-half of these, exist today. The rest were abandoned and sold to private companies. From 1927 to 1932, six hundred and twelve governmentally owned plants were sold to private companies. Think of it. Every three days for five years some municipality, some government agency which had tried the very thing the Affirmative proposes, sold its plant to a private company. Various studies have been made to find the reason for this change from governmental to private ownership. David Friday, Director of the National Bureau of Economic Research, analyzed four hundred and forty cases. The reasons were revealed as follows: thirty-three per cent changed because they were operating at a loss; thirty-five per cent changed because the equipment was inadequate; twenty-three per cent changed because lower rates were promised by the purchaser; and seven per cent changed to secure 24-hour service.

Moreover, the plants which change from government to private ownership by no means comprise the total number of governmental plants which are economic failures. In the five years prior to 1934, the *Public Service Magazine* of Chicago made continuous first hand studies of one hundred and thirty government plants in thirty-one states. Of these one hundred and thirty plants, ninety per cent were operating at a loss to the taxpayers of their communities. The remaining ten per cent had rates higher than those of the private companies surrounding the areas they served. Of twenty-five government plants investigated in Nebraska in 1931, not one was earning enough to pay its own expenses.

Now, let us consider the matter of maintenance and upkeep. A plant might appear to make money, but suppose they do not keep their equipment in good condition to give adequate service. In Columbus, Ohio, we have a municipal plant. It is classed as a museum by competent engineers, and this condition exists notwithstanding the fact that during the past fifteen years our city council has authorized twenty-one bond issues to keep this plant in good condition. My opponent speaks of Cleveland as a good example. Both the builder of the plant and its present manager class it as obsolete to a point where operation is in jeopardy. In other words, the people in Cleveland who get service from the municipal plant may expect to have their current discontinued at any time.

Finally, let us note the failure of governmentally owned plants to reduce rates. My opponent gave you

figures from the 1932 census. Those figures were perfectly all right. But there has been a slight change. Private companies are reducing rates. The Federal Power Commission made a nation-wide survey of electric rates. They took into consideration all governmentally owned plants and all private plants. A few of these would not give their records, but where they did and where they were available, these records went into the report. This report shows that on the average throughout the United States the only class of consumer who pays a lower monthly charge under government ownership than under private control is the class using 25 kilowatt hours per month or less. In other words, if within your home you use electricity for lighting purposes, and an electric iron, you would benefit from government ownership, but the minute you add a toaster or percolator or washing machine or refrigerator, your rates would be lower under private ownership.

My opponent has said government owned plants have reduced rates. I can't take time to consider all of his examples but he cites Cleveland, where the rate was formerly 10¢ and is now 3¢; but he didn't tell you that the government plants reduced the rate to 3¢ per K.W.H. and then set a service charge of 60¢ per month, or a service charge of 50¢; nor did he tell you that the private company which exists in Cleveland and serves eighty per cent of the residents of that city offers rates just as low when you get beyond 75 kilowatt hours as the municipal plant.

Therefore, in view of the fact that some electric

utilities under private ownership and operation are giving you lower rates than government plants, and in view of this array of examples, we draw the simple conclusion that the Affirmative proposal is already doomed to failure.

Third Affirmative, Jack Eisendrath  
University of Wisconsin

LADIES AND GENTLEMEN: I should like to add my welcome to that of my colleagues to the gentlemen from Ohio. They come from a great state. In the state of Ohio of all urban consumers of electricity more than one-third receive electricity direct from municipal plants. In their seeming objection to our plan certainly they are aware of the recent survey which they quoted which conclusively demonstrates that the rates in Cleveland, or rates rather of municipal plants throughout the entire state of Ohio, are lower for domestic and commercial consumers, in some cases thirty per cent lower than private plants. In the city of Cleveland, which they cited, the average public plant consumer has  $\frac{1}{2}\%$  lower rate per kilowatt hour. They cited the rate for 75 kilowatts, but unfortunately very few people use 75 kilowatts per month.

We of the Affirmative were somewhat electrified, both rurally and locally, by the rather shocking proposal of the opposition when they said we should keep our present type of regulation. They contend that that regulation, which in the past fifty years has failed to solve any one of the fundamental problems of the dis-

tribution of electricity, should be preserved. They say we should keep that same system, and they go on to add that it is working out pretty well in some states. They do forget that in their own state of Ohio the Commission has not even the power to regulate rates.

My colleagues have strongly demonstrated that there are inherent evils in the present system; that regulation has failed to eliminate these abuses; and because of these inherent evils regulation cannot eliminate these abuses. We have further contended that a system of public ownership, with the elimination of the profit motive and substitution of the service motive, will bring certain advantages and will eliminate these abuses that do exist. In addition, we claim social advantages are possible only under public ownership. We submit, even if it is possible, assuming for the sake of the argument, it is possible to contrive a workable system of regulation,—we submit there are further social advantages which can be secured only under a system of public ownership.

First among these is an increased service. In the past, the private system of private utilities has extended rural lines to the farmers in outlying regions only when they could get a sizable profit, not ordinary—but sizable, and if not, they would not extend lines. In parts of West Virginia, North Carolina and Arkansas only three and one-half per cent of the farmers have electricity. Private utilities have always waited for the increased demand to lower rates rather than lower rates to increase the demand. In these United States five out of six farmers have no electric service

whatsoever. We would like to ask how is their system going to take care of those? Would they be content to have only five out of six farmers get road service? Would they be content to have five out of six farmers get service from the post office?

You ask how will public ownership benefit this system? We can answer with figures from the 1932 census of Electrical Industries which show eighteen per cent greater use of electrical service under municipal ownership. We know under the Ontario System there is three times greater consumption than in the United States; in the TVA there is consumption twice that elsewhere in the United States; and the reason for that is because public ownership extends lines not to bring profit to a few financiers, but to bring service to the consuming public.

In addition to this increased service, we contend a unified and co-ordinated system of public ownership will bring certain advantages that are under no circumstances possible under a system of private utility, which is disjointed and unconnected. If economy of operation is to be considered, we are sure that the private plant, the small individual plant, is doomed. Technological advances in the distribution, in the transmission and production of electricity have gone beyond the experimental stage. Unfortunately the small private system, and some systems which are united even in the holding companies, are unable to take full advantage of these latest technological improvements.

We find that by its very nature, its very disjointed, unconnected nature, private ownership can not take

full advantage of the advances. Public ownership is planned and has been planned in the past to take full advantage of these modern advances. The essence of what I am trying to say, perhaps, is better seen in the words of A. E. Morgan, Director of the TVA:

“The whole Tennessee River System ought to be a single unit in the planning and distribution of electrical power. Some of the plants have abundant power only a part of the year; other plants can have storage so that all the power can be used all the year or in any part of the year. If we can use these plants at the time they have the power and tie them all together as a unit, I believe we can get at least twice and possibly three times as much value for a dollar's expenditure as if these plants are owned individually. I believe it isn't possible to organize them under private ownership. . . . We believe that public ownership is the only right way to integrate the system.”

Thus, it is apparent that, under a co-ordinated plan of public ownership, expenses would be less than the present system rather than more, as the opposition would have you believe.

Furthermore, we contend the fundamental theory of private ownership is socially unsound. Private ownership contains all the defects of short time planning with its disastrous results. Experts estimate if the supply of coal is used at the rate now in use, in one hundred years it will be completely exhausted. Private ownership builds its plants without regard to those below the river. It seeks to make present profits and forgets about the surrounding countryside and its problems. It is peculiarly noticeable, in this connec-

tion, that private industry in other instances has marched along heedless of the rights of other industries and gone its own way forgetful that there are other vital interests. In Northern Wisconsin they have stripped the land of timber and when the floods have come and the soil has eroded and washed away, where have they turned for aid? To the government, and the government has stepped in with sound conservation policies.

That is the fundamental difficulty of private ownership: it does not tend toward social welfare of the people. On the other hand, public ownership bases its development on long time planning. It spans many generations. Dams are built and power sites operated to work over a period of years and as a unit. In one instance as many as thirty-nine plants are joined together to serve seven hundred and seventy-six communities in one area. Long range planning would certainly aid in the solution of many of these problems which are already beginning to cast their shadows upon the American scene, such as the problem of soil erosion, flood control and reforestation. If these problems are not attended to, we may rest assured that those who follow us will spend millions of dollars to pay for our lack of foresight. And friends, distribution of electricity is vitally built up with the solution of these problems. Generation of electricity should be combined with water plants and other agencies in the same area that are seeking to solve these problems. Private ownership is not concerned with answering

these problems. There is no alternative, the solution lies in the hands of public ownership.

We further believe that public ownership is the logical extension of already existing social trends. It was readily accepted that the government is the best agency to provide education for us, to take care of the roads, and we have no objection to those two fundamental services. The government is considered the only responsible agency to provide fire and police protection. Innumerable advances have been made in the field of agriculture, public health and many other branches of public service. We contend that this is not a business, and the distribution of electricity should not be made a business. It is in the same category as roads, its problems are similar to those of distribution of education. We believe it cannot be denied that society has the social responsibility of controlling those fundamental factors which make for the well-being of its citizens, and based upon that contention we feel certain that the distribution of electricity must be taken over by the government to further the welfare of the people.

**Third Negative, Arden Arn  
Ohio State University**

**MR. CHAIRMAN, LADIES AND GENTLEMEN:** This evening we are upholding the State of Ohio in regard to the regulatory power of the Commission in that state. The speaker who preceded me has led you to believe that our Public Utility Commission of the State of Ohio has nothing to do with the regulation of rates in

that state. I would like to read to him Section 6142 of the Utility Commission Act of Ohio, in which it says, "any unjust or unreasonable charge shall be prohibited and declared unlawful by the Public Utility Commission of the State of Ohio." Hence that answers the argument that the Ohio Commission cannot regulate rates.

The gentleman who preceded me has spoken of the disjointed nature of private utilities, and has spoken of the fact that the private utility can not make contributions to advancement and extensions of service. We wish to point out to the gentleman that the private utilities today are co-ordinated, and we refer him to the Federal Power Survey which indicates that some thirteen utility companies are extending the large majority of power of this country, and they extend back over as many as ten or twelve states. That shows that the very essence of private utilities today is co-ordination of the source of power and of the transmission and distributing facilities. Furthermore, we would like to ask the gentlemen of the Affirmative just what important contribution the government has made in the electrical field so far as inventions and so far as improvements are concerned in the last twenty-five years. We challenge them to show important improvements made by the government in the electrical field.

Now then, the gentleman has likewise spoken of the great social benefits under government ownership. He has spoken of increased service. The major assumption of that argument, that increased consumption would result, is fallacious, inasmuch as he is assuming

that lower rates would follow government ownership. The second speaker of the Negative has met every example cited by the Affirmative to show that lower rates will not inevitably result from government ownership and operation of all electric utilities.

Now, in the first part of this debate they have submitted to us a plan, and it is vague enough. They say the Federal Government is going to own the water power site; the state government is going to own the generating plants within the states; and municipal plants, the municipalities, are going to distribute that power. We would like to ask the gentlemen of the Affirmative how they are going to keep politics out of such a business, how are they going to co-ordinate such a system and assure you, Mr. Consumer, that you will have efficient service and lower rates. The gentleman has likewise referred to municipal ownership, government ownership, as a logical trend of the day, and in that connection we wish to point out that the most ardent supporters of governmental power development do not advocate government ownership and operation of all electric utilities. Senator Norris, the most outspoken critic of private utilities, does not advocate government ownership of all electric utilities. The head of the REA admits that federal ownership would be a calamity. Hence, in what respect can they say that government ownership is a logical trend? Thus, in this debate we have shown that the destruction of the private electric utilities is unjustified by experience, and that government ownership of them is unwise from a sound business point of view.

I propose to show that government ownership and operation of all electric utilities would be detrimental to the general public welfare. That is, it would engulf our citizens in a maze of new evils. First of all, there is no fair or practicable method of converting utilities from private ownership to government monopoly. There are three courses, any one of which would result in disastrous results to the American citizens. First, mutual agreement between the utility and government upon terms and price. This method is absurd. To sell a utility to the government is to end a private business. An exceeding difficult problem arises in the termination of any business. It pertains to the valuation of good will, tangible and intangible assets, possible future returns. That governmental units avoid paying a price for what property is worth, even ignore the valuation of possible future returns, is demonstrated in that portion of the TVA region which centers in Knoxville, Tennessee. Even where an agreement is reached, it is a bad bargain for the private utilities. In most instances the utility is forced to accept any offer that is made by the government. A second means of ultimately achieving government ownership is unfair competition. Under the affirmative proposition this would involve duplication of facilities all over the United States. We know they will not advocate a method which will bring losses to millions of investors under such cut-throat practices. A third and equally destructive means is for the government to exercise its right of eminent domain. Franchises, rights of way, physical properties may be acquired by condemnation

proceedings. Courts have held that such rights include possible future returns. We believe juries are wholly incompetent to deal with such far reaching and technical problems incident to acquisition of all electric utilities in the United States. Hence, we challenge the Affirmative to show a fair and practicable method of converting private utilities to government monopoly.

The Affirmative proposal would cause a tremendous financial upheaval in this country. Nearly ten million individuals have invested savings totalling fifteen billions of dollars in private electric utility securities. Conversion to government monopoly would bring serious injury to every bank depositor, every insurance policy holder, thousands of colleges and schools and charitable institutions throughout the land. Hence, we challenge the Affirmative to show how this danger will be met.

Furthermore, we ask you just how much the Affirmative proposal will cost, and who will pay for it? Now then, the federal, state and local governments are already overburdened with debt. The cost of government is steadily increasing. For the year 1935 alone, the cost of government amounted to nearly \$125.00 for every man, woman and child in the United States. The acquisition by the government of generating, distributing, and transmission facilities would involve the additional investment of at least twelve to fifteen billion additional taxpayer dollars. But that isn't all. One and one-half to two billion dollars a year would be necessary for maintenance, construction, and interest on borrowed money. Hence, we challenge the Affirm-

ative to justify this increased financial burden upon you, the taxpayers of this country. Here then are some of the new and greater evils that will spring from government monopoly. Even the most ardent advocates of government power development do not advocate government ownership and operation of all utilities. One of them, in September, 1932, at Portland, Oregon, said: "I do not hold with those who advocate government ownership of all utilities. I state to you categorically and as a broad general rule that the development of utilities should remain the function of private initiative and private capital." The author of those words is now the President of the United States.

First Negative Rebuttal, Paul Liber  
Ohio State University

LADIES AND GENTLEMEN: My opponent has attempted to explain to you how many people in the State of Ohio receive electrical service from municipal plants or government owned plants and how many of these plants there are. Here is a lovely big list, 72 on the first page, 42 on the second page, 72 on the third page, and 15 on the last, plants which have tried, in the State of Ohio, government ownership and have either sold their plants entirely and received all services from private companies, or plants which have sold their generating machinery and buy their current from private companies. There is in the State of Ohio 1.58 per cent of our population receiving their service wholly from municipal plants.

Now, I would like to ask my opponents a simple question. They say that the purpose of the government is service and we ought to take this profit motive out of private industry. When you go down to your grocery man you do not deny him the opportunity to make a profit. Yet you do expect service from him. So I want to ask, can we not have profit in a private system and still have service to you, the consumers?

My opponents are speaking of amortization. We agree that many government owned plants have amortized their debt, but we ask, have they amortized their debt out of high rates, out of taxes, or have they amortized their debt out of profits? The records show that, on the whole, most of this amortization is done out of higher rates or taxes; and we ask, if we give our private plants over to government control, will they pay for this system out of taxes or out of higher rates to you, the consumers?

Let us look at the Affirmative case as a whole. What reasoning processes have they used here this evening? In the first place, they reason that all are bad because a few are bad. We do not condemn the clergy because a preacher was hanged in Boston for murder a number of years ago. We do not condemn all politicians because some have been convicted of bribery. We do not condemn all lawyers because some have been disbarred for illegal practices, and yet the Affirmative says that because some private utilities have evils, all should be given over to government ownership and operation. They spoke of the municipal plants in the State of Wisconsin. They didn't tell you that the low-

est residential rate within this state, that is, a rate that affects you, the consumer, is still higher than the rates of the company which serves this city, a private utility. Why own them? We again say there is no justification for the destruction of all privately owned electric utilities.

Now in their second point, they turn their argument around and use it the other way. They say that because a few government owned plants have been a success, all are going to be a success. Well, now, you would not say we are all going to be good physicians or good surgeons because Mayo Brothers are good physicians and surgeons. We can't say all government owned plants are going to be a success because a few have been a success, and as I have shown you in my argument, many have been sold to private companies because they were failures. Government in business generally has been an economic failure and you pay for that loss. Hence, we can see that government ownership and operation of all electric utilities is not wise from a sound business point of view. We are not interested in what could be done or what should be done under government ownership. We are interested in what has been done and what is being done where the government now owns and operates an electric utility; and the record shows that even in the governmentally owned plants where they do not have the evils which they allege exist, they still cannot offer lower rates to you, the consumers of electric current.

**First Affirmative Rebuttal, Robert Gunderson**  
**University of Wisconsin**

**MR. CHAIRMAN, LADIES AND GENTLEMEN:** The last speaker has challenged us to show any place where the public plants were expanding their system from profits, and I would like to cite the Ontario System. I am quoting from the legislative hearing of the Wisconsin legislature which made a survey of the Ontario System in 1929: It says the plants have increased, since 1913, from 14 to 766; and the assets have increased from eleven million to ninety-three million, in the period 1913 to 1927. "Most of the cost of increasing plant value has been financed out of the profits of the system." Thus, we see an actual example of one of the largest publicly owned plants in the world is a financial success, and they are amortizing their debt.

The Affirmative contends excessive profits, financial crashes, higher rates, and inadequate service to the farmers are all dramatic evidence of the failure of regulation. We have shown how the activities of the utilities range from corrupting regulatory commissions to the indoctrination of school children. We have shown actual examples here in Wisconsin, and in the State of Ohio where public ownership has proved its success both socially and financially.

Perhaps the most important thing before the debate at this moment is a comparison of the rates in Wisconsin. I am citing figures derived from the Federal Power Rate Survey No. 5 of the Federal Power Commission:

for 40 kilowatt hours in Wisconsin the rate is 18 per cent lower for public utilities than private; the rate is  $6\frac{1}{2}\text{¢}$  per kilowatt hour for public plants and  $8\text{¢}$  for private plants. In Ohio, for 40 kilowatt hours the rate is  $1\text{¢}$  lower than for private plants, and may I add that 40 kilowatts is the average residential rate throughout the United States. Then for 100 kilowatt hours we find in Wisconsin the rates are  $\frac{3}{4}\text{¢}$  lower, and in Ohio  $\frac{1}{10}\text{¢}$  lower. So thus we see that public ownership and operation in eighty-five municipal plants in Wisconsin is pre-eminently successful.

Then what have our opponents said this evening? The first speaker contended the electric utilities are extending service. I should like to quote the director of Rural Electrification, Mr. O. S. Loomis, who says: "We find from the Federal Power Commission Survey that if the private utilities extended their service at the rate they did in 1934, it would take them 100 years before we would be up to, say, New Zealand, as a foreign country." And Ladies and Gentlemen, the members of the opposition have not shown you how conditions here in Wisconsin are any different from those in New Zealand; yet in Wisconsin only 20 per cent of the farmers have rural electrification; and in New Zealand 80 per cent have rural electrification. Thus, we would conclude that public ownership and operation of the utilities in New Zealand was highly successful. They have said also that public plants have decreased during the years 1927 to 1932, and may I remind them that private plants have decreased 24 per cent while public plants have only decreased 18 per cent. Which

would we suspect to be the more successful then, private or public, if that form of reasoning is to be followed?

They have shown examples of where public ownership has failed, but may we cite the fact that practically every railroad in the United States, privately owned, has also failed? While we are on the subject of railroads, (they said the government was more or less unsuccessful in running the railroads during the war,) may I state that during the war the railroads were run for the benefit of the war, and in that enterprise they were highly successful after private enterprises had turned the railroads over to the government because they claimed they could not run them at a profit.

This evening, Ladies and Gentlemen, we ask that the utilities be run for service to the public rather than for profits to the financial overlords. We wish to cite once more, before they can be able to say that regulation has been successful under the Federal Act, that according to the *New Republic* and John T. Flynn writing in the November 25th issue, not one single company has registered under that Federal Holding Company Act, but instead they are suing the United States government for unlawful interference into their business.

Consequently, because regulation has always failed, and because it will continue to fail, we favor public ownership of the electric utilities so that they may be run for service and not for profit.

Second Negative Rebuttal, Paul Strader, Jr.  
Ohio State University

LADIES AND GENTLEMEN: The speaker who preceded me has attempted to point out that in Ontario, Canada, profits have enabled that company to expand. In the first place, let us realize that Ontario gets its power from Niagara Falls and that in the United States, according to the Bureau of Census, only 10 per cent of the electricity is generated by water power. Thus, in applying the Ontario example to the United States we do not have a valid comparison. Do not misunderstand our position here this evening. There may be a few instances where the government or municipality can regulate and control utilities more effectively, in fact own them better. But we are taking the entire United States, Ladies and Gentlemen, where it must be shown that each and every electrical industry must be brought under government ownership.

Let us further consider this Ontario proposition. The 27th Annual Report pointed out that for the year 1934 there was a deficit in excess of three million dollars. Then how can we have any profits when the report of the Commission itself says there was a deficit. Furthermore, Quebec is comparable to Ontario; they are really close provinces. What has happened as between these two provinces? Quebec has private ownership. Ontario has governmental ownership. In 1916 the tax-payers paid \$1.77 to the government in Quebec. Ontario paid \$2.00. In 1933 after Ontario had gone into government ownership, we find that taxes in Quebec

had risen from \$1.00 to \$6.00, while in Ontario they had risen from \$2.00 to \$11.00. In other words, taxes had increased much more where the government owned the electric utilities. Thus we see that under government ownership the taxpayer may pay in the end for your reduction in rates, and you also pay your taxes and not alone your rates.

Let us go a step further into rural electrification. Why is it that America is slowly electrifying, let us admit for the sake of argument, the rural population? According to the Bureau of Census, in 1930, 40 per cent of our farms are tenant operated. This report says 50 per cent are mortgaged. In other words, the farmer does not make a big income and can't afford appliances, refrigerators and necessary things by which electricity is used. Under the affirmative proposition let us suppose we have government ownership. What is going to be done about the farmer's low income? Are they going to dole out a refrigerator and appliances wherewith he can use electricity?

They have argued that, in the United States, we have a lot of corruption in subsidizing school boards. Let us assume we have government ownership. What kind of a government have we today? A two party system. By whom is it run? By politicians, and let us get down to the facts. Under government ownership, the politicians' tentacles are fast at work. Under government ownership you as a consumer will always have to be on the alert. Today the Public Service Commission is on the alert, doing all that is possible to overthrow corruption and working for your best interest.

Ladies and Gentlemen, the Affirmative has compared the electric industry with the postoffice. It has said they are comparable. Are they? The electrical industry is one which entails certain selling considerations. You have to sell current, you have to sell appliances. The government cannot become a selling agency under our form of government. The postoffice is a steady business. The mail flows in and out, but electricity moves forward.

We have had another indictment of the present system. The gentlemen of the Affirmative have said that private utilities are destroying our natural resources. Let me say that the coal consumption has been brought down from 12 pounds to 1 pound for each K.W.H.

**Second Affirmative Rebuttal, Byron Johnson  
University of Wisconsin**

**LADIES AND GENTLEMEN:** How are we going to keep politics out of utilities? I am sorry the gentleman didn't hear my main speech in which I said we would have the merit system of civil service. We are not going to have political selection but selection on merit, so I think that answers him.

How do we change to government ownership? The gentlemen of the Negative painted a terrible picture, everyone would be robbed, and they seemed to think it would be a calamity. Well, we have changed to public ownership of education, public ownership of roads, public ownership of the postoffice, and they were objected to at the time, but we are satisfied now. And

also I would like to quote from yesterday's paper, the *Chicago Tribune*. I am sorry it has to be the *Tribune*, but Los Angeles, California, voted at the polls Tuesday and by a count of two to one, 91,000 to 43,000, to take over the remaining private plants. In other words, the people of Los Angeles are not afraid of municipal ownership and found municipal ownership was so successful they want the remaining private systems publicly owned so they can get the benefit of that.

The government has been a failure in business, they say. Has the government been a failure in water works? Has the government been a failure in education? What do you think, would you sooner go to a private school? I don't think so. May I remind you, we are speaking of electricity as a service, not a private industry. We are not defending the government going into the field of industry. We don't defend going into industry, but in the administration of vital service to the people in the United States, when private industry cannot take care of these services efficiently and in the best interests of the people, when they denude our forests and rob our mines, we have to come to some terms and take them over and have public ownership.

I would like to cite one more thing on the Cleveland illustration. He said private plants came down. The private plant was much disgruntled when the City of Cleveland decided to build its own plant. They said we have to get a fair return on our property. This is going to be confiscatory. You can't make us sell at the same price they are selling, we have to get a fair return. The Court said, "All right, you can charge

10¢ per kilowatt hour," and they said that is swell. Six months later they found they had to cut the rates in half, and they have been selling electricity since 1920 at half the price they needed to pay a fair return, and the plant is operating and from what they say quite successfully. They haven't gone in the hole and have operated at rates much the same as the public plant except the public plant still sells a little cheaper to the domestic consumer.

They are worried about the deficit in Ontario. It is only in the Niagara System which serves the industrial area of Ontario. There was a deficit for a couple of years. If you recall we had a depression recently, and industry has not been operating quite as fully. They used to sell electricity to industrial plants and they had a deficit, but had built up a reserve for contingencies of several million dollars and made up the deficit and still have six and one-half million dollars in that reserve. Not one cent of loss has come from taxes. The people of Ontario have provided for depressions through their system. Columbia, Missouri, has a beautiful system of public ownership with rates as low as any other city in Missouri. Moreover, they have municipal tax rates lower than any other city in Missouri and have paid 10 per cent of their gross receipts to the city every year and have built the city a \$150,000 municipal building, a \$70,000 fire and police building, built a storm sewer for them, and have kept right on. In other words, government ownership can be successful and has been successful and will be successful.

Third Negative Rebuttal, Arden Arn  
Ohio State University

MR. CHAIRMAN, LADIES AND GENTLEMEN: The speaker who preceded me has referred to the argument of politics, and said that they would keep politics out by a system of civil service. Right here in the State of Wisconsin, I read in the morning paper, the *Capital Times*, an article in which it said that in the State Treasurer's office a new administration is coming in the first of the year, and that every one of the present employes of that office is going out because of the change of administration. Yet the State of Wisconsin has a civil service system. The gentlemen of the Affirmative are going to have civil service under their plan, and yet there is an example right in their own backyard in which we find civil service does not keep politics out of such a system. Politics will inevitably enter and bring inefficient service to you, the consumers.

Ladies and Gentlemen, let us take inventory of the plan and of the case as presented here this evening. We have asked certain questions in regard to a plan of government ownership and operation. They have failed even to exemplify their own plan of government ownership and operation. The first affirmative speaker has attempted to show that there is inadequate service to the farmers under the private utility system. We have shown that private utilities in every section of this country are giving adequate service to the farmers, and further that the farmers in this country cannot be

compared with farmers in European countries. They have cited the evils of over-capitalization, and we have shown that the Federal Public Utility Holding Company Act of 1935 is meeting every one of the evils said to exist under the present system. Furthermore, they have cited the loss to investors under private utilities. We have shown that everybody has lost, and therefore that is an insignificant argument. They have referred to propaganda by private utilities. I would like to say that if you write any congressman or senator you will get so much propaganda in regard to the REA and government ownership of electric utilities that it will take an express truck to haul it to your home. That is the extent of government propaganda, so here again it balances and that argument has not any significance.

We will admit that certain cities have low rates, but we have shown you definitely that all cities generally do not have low rates; and hence, under the system of government ownership, we can't expect lower rates all over the United States. They have likewise said that private utilities have gone out of business. We contend that private utilities have not gone completely out of business, but have become consolidated into larger units, which is the very essence of private utilities today. The very fact that they co-ordinate all sources of power transmission facilities is what gives the consumer and the taxpayer efficient service today.

Hence, Ladies and Gentlemen, we find that we have met every specific case of rates cited by them, every specific case of profits cited by them, and have shown

that generally government units cannot make lower rates and cannot offer profits. Hence, we ask again what social justification is there for government ownership and operation of all electric utilities? It is up to you either to keep and retain the private utility which gives you efficient service, extension of service, and improvement of service, or to adopt a philosophically and idealistically asserted plan not even supported by the most ardent supporters of government; furthermore, a philosophically asserted plan which does not afford assurance that you as taxpayers will not bear the additional investment of fifteen billion dollars. Hence, in the interest of the voters of this country who want good government, in the interest of the investors, in the interest of the taxpayers and consumers, we ask that you reject this all-inclusive proposal of the gentlemen of the Affirmative.

**Third Affirmative Rebuttal, Jack Eisendrath  
University of Wisconsin**

**LADIES AND GENTLEMEN:** Unfortunately, I have not been reading the newspapers lately as the opposition has; but I have been reading a few books; and I find in almost every decade in American history the American people have been engaged in some vital struggle to take over some important public service; and at the same time certain forces of reaction have at all times been saying such movements will result in certain defeat; and when the services were taken over they were forced to admit it was a good thing; but,

they hasten to add, any further encroaching upon private industry would result in doom and defeat. Tonight the opposition is in the boots of reaction.

We wonder if they have shown us that regulation will actually take care of all the evils we have demonstrated. They say the Holding Company Act is going to remedy all abuses. We would like to remind them that during their speeches they haven't shown us how they were going to remove excess profits. One man, Henry Doherty, made a profit of two million dollars in the sale of Cities Service stock. The New York State Utility Commission finds there was a profit of three hundred and forty million dollars made in the last few years over and above a fair return. They quoted the Madison Gas & Electric Company to show they have a lower rate than all municipally owned companies in Wisconsin. The average state municipal rate is 20 per cent lower than the private rates, but the Madison private utility rate is an exception and lower than any municipal utility. The interesting point is this: in the last year the Madison Gas & Electric Company, in spite of their lower rates, paid a dividend of 58 per cent. The money was paid upon the common stock and went to New York. We wonder how much lower the rates would be if that dividend were cut down. And the question of salaries. How are they going to cut down the \$300,000 a year salaries?

They were talking about an express load of municipal propaganda drawn up to your door, but there are many more train loads being sent out at the present time by the private utilities. The Federal Trade Com-

mission says over twenty-five million dollars in one year has been spent by the private utilities. Thousands of fake telegrams have been sent to defeat the very bills the opposition advocates—names taken boldly out of the telephone directory without the permission of the owners. In the same bill which they claim is going to remedy the abuses, there was five million dollars spent to defeat the death sentence, the most important part of the bill. So we come to this, we have demonstrated that there are certain abuses which inherently exist in the present system. They say no regulation will remedy the abuses, and yet have failed to show how those abuses will be taken care of and have asked us to point to successful examples. We have, Ontario and the TVA, which has transformed the entire South; Cleveland, where thirty-nine million dollars was made; Los Angeles, in fourteen years of existence, made sixty-one million dollars; in Seattle the people have saved eight million dollars; the Ontario reserves at the present time are one hundred and fifty million dollars. Do they doubt the success of public ownership?

How do they account for the fact that the United States Census Survey shows the average domestic rate is lower where there are municipal plants, and there is greater use under municipal ownership? If municipal plants are such failures, how do they account for the fact that they paid 22 per cent of their base revenues in free services in one year, and the private plants paid only 12 per cent? Does that show public ownership is a failure? They say the plants are obsolete in

spite of the fact that they make so much money. If municipal plants can make thirty-nine million dollars with an obsolete plant, how much more will they make when they modernize?

Perhaps we differ on this fundamental problem: they ask for private ownership of public utilities—private public utilities. The very words are paradoxes. We differ on this fundamental concept: We do not think the distribution of electricity is a business; it is a service. A service, my Friends, that is so vitally clothed with the public welfare, that it should not be turned over to private interests. Certainly we think that in place of a system which results in deprivation of service, which is capitalized, operated and maintained for private profit, we should substitute a system which results in adequate service and small earnings. We do not think that the desire for the dollar should be placed above the welfare of the people.

**Critic Decision: Professor Alan H. Monroe  
Purdue University**

**LADIES AND GENTLEMEN:** I quite agree with the chairman's remark that this truly was a clash this evening. I don't know whether the teams submitted their briefs to each other beforehand, but I am sure you noticed that their arguments met head-on. I don't believe I have seen a debate in which that was more true than this evening.

I want to mention a few bad things and two or three good things about the debate. First, the points in

which the debate could be improved. In the constructive arguments, at times, we could have had a more lively discussion; and in the rebuttals, once in a while, the liveliness should have been more controlled. In the constructive arguments, the debate sometimes moved too slowly; and sometimes in the rebuttals we were just about ready to ask the chairman to intervene.

Here is another thing that might have been improved. Two or three times we got into the "'Tis so, Tain't so" style of debating. I mean by this that one side made an assertion, with or without evidence, and the other side said it wasn't so, also with or without evidence. And neither side showed how important the point was or how it fitted into the argument. This occurred only once or twice; it wasn't true of the entire debate.

Now for the good points. I have already mentioned the direct clashing. I want also to commend both teams for a rather effective use of evidence. We heard a great deal of real information on this question from both sides. While at times the statement of the evidence did get complicated, I realize that information on this question is complicated; and I thought the debaters did a good job of making it understandable in the limited amount of time they had.

So much for the general comments.

Now let me mention a few more specific things. When I point out that certain things were done better by one side or the other, I want you to recognize that those degrees of difference were very slight.

First a word about the speaking. We had some good speaking and some bad speaking on both sides. I want to suggest to you high school debaters in the audience that it isn't necessarily good speaking to tear one's hair and make a soap box oration. That occurred once this evening. Nor is it good speaking to be so filled with the spirit that when the bung is knocked out nature takes its course but not very straight or directly. That also occurred once this evening. However, both of those speakers at other times appeared very well poised. There was at least one speaker on each side who gave what I thought an excellent example of clear straightforward argument without too much shouting. There were examples of good and poor delivery on both sides. I would call the two teams even on that score.

From the standpoint of the amount and quality of evidence, there is again in my opinion no choice. As far as the use of the evidence is concerned, there was some difference. I want to give an example of the use of evidence in following a point through. The Affirmative remarked that the utility companies had not registered under the new law. The Negative replied that some sixty-five companies had registered. Then the Affirmative cited apparently a later source of evidence, an article by John Flynn in the *New Republic* as authority for the statement that the companies had not registered. The Negative simply replied without authority that the companies had registered. Now, as between John Flynn's article in the *New Republic* and the assertion of the gentlemen of the opposition, I would take John Flynn as evidence.

On the matter of the use of evidence in following a point through, the Affirmative was slightly superior. It wasn't any more than a slight degree of superiority, but in almost all cases the Affirmative had the last word as far as the addition of new evidence was concerned.

Now I want to take up the matter of logical argument. I think the nicest piece of logical work in the debate was done by the first Negative speaker when he pointed out a logical error in the Affirmative argument and played it up. Now, it is true that there was a similar fallacy in the Negative argument which was not pointed out. I am talking about the hasty generalization: some things are bad, therefore all of them are bad. The rebuttal on the Negative side was built to emphasize and to widen that breach in the logical argument of the Affirmative. I would give the Negative a slight advantage on that point.

I come now to the clarity of organization in the development of the constructive cases. Here I think there was an advantage in favor of the Affirmative. Their case was easier for me to follow. It was, I think, more cumulatively effective. I did think that the last speaker might have had a little more proof for what he said. During the debate I had the feeling that the Negative was forced to come over and debate just a little too much on the Affirmative side of the battlefield. Of course, the Negative should clash with the Affirmative on the issues raised, but the Negative that is effective not only meets the Affirmative argument, but emphasizes to such a degree their own arguments

that they force the Affirmative to come over and meet them on the objections they have raised. I felt that the Affirmative was able to keep the Negative a bit on the defensive throughout the debate.

I once knew a debate judge who had a chart containing 35 or 40 points and giving percentage score for superiority on each of them. At the end of one debate he added up the percentages and announced that the Affirmative won by a score of 1126 to 1124. I have no such chart this evening, but I feel that by some such score the Affirmative also won this debate.

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THE ST. LAWRENCE WATERWAY  
*A Radio Debate*



## THE ST. LAWRENCE WATERWAY

*MARQUETTE UNIVERSITY AFFIRMATIVE VS.  
MOUNT MARY COLLEGE NEGATIVE*

Each of the two teams meeting in this debate had an undefeated record at the Delta Sigma Rho Tournament held at Madison, Wisconsin, March 19 and 20, 1937. They met in a radio debate over Station WEMP, Milwaukee, Wis., on April 3 to discuss a question of considerable interest to the mid-western states—the St. Lawrence Waterway project to connect the ports of the Great Lakes with the Atlantic. Mr. Robert Finum presided.

The question was stated: *Resolved: That the United States and Canada should complete the Great Lakes-St. Lawrence Waterway.*

The debate was contributed to this volume by Dr. William M. Lamers, Director of the School of Speech, Marquette University, and by Sister Mary Hyacinth, S.S.N.D. of Mount Mary College.

First Affirmative, Howard Raether  
Marquette University

MR. CHAIRMAN, LADIES AND GENTLEMEN: We of Marquette University are indeed very pleased to be able to meet our good friends from Mount Mary College. This contest inaugurates debate relations between the women of Mount Mary and the men of Marquette, and we hope these forensic relations will continue in the future.

We have come here this afternoon to discuss a topic of great interest to the mid-western states and especially to the state of Wisconsin. This question in

debate form is: Resolved: That the United States and Canada should complete the Great Lakes-Saint Lawrence Waterway.

This question is not a new one. Back in 1909, the International Joint Commission was formed by a treaty between the United States and Canada and immediately there arose talk of joining the Great Lakes to the Atlantic by a waterway that would be large enough to convey ocean going ships. Interest soon died, however; and it was not until the latter half of the World War that the question of this proposed seaway became really important. Lake travel was congested; land traffic to the eastern United States was virtually limited to the transport of war materials; and, generally speaking, there was a definite need for another west-east transportation agency. The Commission began an investigation; and, in 1921, issued a report definitely in favor of the United States and Canada jointly building this proposed waterway. In 1926, another more detailed study was made; and again the Commission voiced its wholehearted approval. Some time later, a treaty was proposed between the United States and Canada which would definitely start this project. The American Senate, however, rejected this treaty when it balloted thirteen votes short of the necessary two-thirds majority.

Why should we in the United States be desirous of this proposed seaway? Our first contention is that the mid-western cities should also be made accessible to the foreign import and export trade. At present, land freight rates are very high and so, therefore, by the

time certain mid-western manufactured products reach the point where they can be shipped to foreign lands, the cost of transport is so great that the sale price of the article must also be proportionately increased. When this is done, some of the foreign market is immediately lost because of this rise in price. Then, too, many mid-western people are unable to enjoy certain foreign-made products because of the expense entailed in getting them from the eastern ports to the mid-western markets.

A second reason for our saying that there is a need for this waterway, is that the farm products of the western states have a definite market in the eastern United States and in western Europe; but much of this market is also lost because of the prohibitive cost of transport to the eastern coast; and also because the vessels now on the Great Lakes are unable adequately to transport these grains. Under the present situation, if wheat is to be shipped to Germany, it must first be shipped by rail to the Great Lakes. Then it is unloaded into a lake steamer. Upon reaching an eastern port it must again be reloaded into an ocean going vessel. If it is shipped the entire distance by rail, the cost of that transportation would skyrocket the grain to a price at which it could not be sold in a foreign market or to a price which the ordinary eastern laborer could not afford to pay, unless he purchased small subsistence amounts.

According to William Bruce, writing on the Great Lakes-Saint Lawrence Waterway: "There are 2,000,000 people within the area of the United States who

have no access to electricity and the convenience it provides." This is our third contention. Besides this, there are some 3,500 manufacturing plants which use electricity but are compelled to pay excessive rates. No power plants will be set-up unless this plan is adopted and, therefore, these people will continually be deprived of this modern convenience.

This then is the question before us: Will the water-way meet these various needs? The answer is definitely—yes. In the first place, according to the plans for the waterway, ocean going vessels will be able to navigate through the waterway to the lake ports. At these lake ports the products of mid-western cities, which are mainly bulky machinery, automobiles, and farm implements, may be loaded into the vessels and be sent for shipment to the foreign markets. One cost will be entailed and that is the small expense of boat traffic. Then, too, these ocean vessels are large and will be able to carry huge cargoes. In this way, the great cost of land transport to the eastern ports will be avoided; and there will be no duplication of loading. The same will apply to the farm products of the West. The large holds of the ocean vessels will adequately displace the small compartments of the present lake steamers. Grain will be handled but twice; and, with a greatly reduced cost of transport, the market price will be such as to give the farmer a place to sell his grains and receive money for their usage rather than for their destruction as he does under present conditions. Then, too, if this were true, the ocean vessels would be able to carry these grains to eastern

ports inexpensively where they will have a ready market.

As to the matter of the power plants, after the waterway is set up it would be a very simple matter to establish spillways and hydro-electric plants which could generate this electricity and solve the problem of northern rural electrification.

And now, to the cost of this proposed waterway. We find that government engineers have estimated the cost to the American taxpayer at about \$150,000,000, according to the Great Lakes Deep Waterway Bulletin Number 53. With a billion a year being spent for relief, why not follow President Roosevelt's plan to use some of this relief money to have the unemployed build this project which is so essential to American welfare?

So, therefore, we of Marquette maintain that the Saint Lawrence Waterway should be constructed because there is a definite need for this project and, also, because this waterway will meet this need.

First Negative, Marguerite Helms  
Mount Mary College

We of Mount Mary College regard it a privilege to open forensic relations with the gentlemen from Marquette University, and we, too, hope that this radio debate may be a means of inaugurating a long and friendly relationship.

Unfortunately, though we are happy to discuss so vital a subject with our friends from Marquette, we

find it impossible to agree with the stand they have taken this afternoon.

Our opponents have contented themselves with telling you of the many benefits that would result to the farmers of the Middle West—if the plan would work, but they have evidently forgotten to mention that the present Saint Lawrence Waterway Project is entirely unworkable and impractical.

The first speaker has assumed that the entire question for debate is that of rail transportation versus water transportation. However, in the light of figures which we shall bring forward, it seems to us that the real issue involves the respective merits of transportation by ocean vessels from Europe through the Saint Lawrence and that of combination of ocean vessels and lake steamers. It is our contention that it is much cheaper to change cargoes at the Atlantic seacoast and transfer them to smaller ships.

Frank C. Munson, President of the Munson Steamship Line of New York City said: "The proposition to canalize the Saint Lawrence for ocean going vessels is utterly impractical from the shipping standpoint. Shipments of grain from Chicago to European ports by the proposed canal would require twice the time needed under the present system because of the low rate of speed with which ocean-going vessels could navigate the 1,130 miles of this restricted seaway. The cost of transportation on such ships through this canal would be at least double that under the present practice of sending grain to deep seaports for transfer to large ocean going vessels."

Thus, our answer to the first argument of the Affirmative is that the cities of the Mid-West are every bit as accessible to the import and export trade as they could possibly be under any waterway project.

We fail to see how the wheat farmers of the Middle West will receive any benefit from the Saint Lawrence project. It is no secret that the wheat exports of the United States are almost negligible, whereas the wheat exports of the Canadian farmers—who must transport by railroad—are constantly rising. Assuming that the Saint Lawrence project would lower shipping costs, the only one to reap the reward would be the Canadian farmer. Our wheat would be just as high or higher on the world market in comparison to Canada's as it is today, and we of the Negative must consequently ask the gentlemen of the opposition whether we have at last arrived at that stage where the American taxpayer must spend several hundred million dollars to subsidize the wheat shipments of the farmers of Alberta and Manitoba.

Apparently realizing that the arguments for the Saint Lawrence waterway are unable to stand on their own feet, the gentlemen from Marquette have tried to tell you that the project would be one means of solving the problem of cheap electrification for some 2,000,000 people. It is our painful duty to remind the first speaker that hydro-electric power is the most expensive of all types of electric power. If the Affirmative really wishes to supply electricity to the farmers of the Great Lakes region, we suggest the installation of Diesel-electric and coal-burning electric plants which cost

hardly half of what a hydro-electric plant will entail. We think it significant that the rates in Milwaukee, where we do not use hydro-electric power, are as low as the rates of any other comparable area in the United States.

A major objection which the Negative must make to the Saint Lawrence project is that it will mean an expensive duplication of services. Since the Saint Lawrence waterway will be open only six or seven months out of the year because of ice, the railroads, grain elevators, warehouses, shipping marts, and harbor improvements of the East will have to be continually maintained to carry one hundred per cent of the commerce for at least five months out of the year. On the other hand, the elevators, harbors, and equipment of the Great Lakes cities will have to be maintained to carry a great portion of the overseas trade for the other six or seven months of the year. In other words, we will have two separate systems of import and export facilities, each of which will have to be kept up to handle a great portion of the trade for a part of the year. Yet, neither of them will handle the trade for the entire year. Therefore, instead of decreasing cost as the Affirmative maintains, the Saint Lawrence system will require the erection of two warehouses in the place of one, will demand that our railroads be kept in condition to handle only a fraction of the trade they now have, and will mean increased cost to the American consumer because of expensive duplication of services.

Thus, Ladies and Gentlemen, we of Mount Mary maintain that there is absolutely no need for the Saint

Lawrence waterway project. Transportation on the lake steamers is now cheaper than it could be if cumbersome ocean vessels tried to navigate inland. The wheat farmers of the United States will not benefit because by various devices the government has pegged the price of wheat above the world market. A waterway, if we assume that it would provide cheaper transportation, would work solely to the advantage of the Canadian farmer. Finally, the proposal of the Affirmative would lead to an expensive duplication of shipping facilities because the Great Lakes are ice-bound half of the year. Therefore, since the Saint Lawrence project is unnecessary, unworkable, and detrimental to the interests of the entire country, we of Mount Mary urge that it should not be completed.

**Second Negative, Jane Conarchy  
Mount Mary College**

**MR. CHAIRMAN AND FRIENDS:** Let us see how the two teams stand on this waterway question. The gentlemen from Marquette contend that there is a definite need for this project because it would aid the western farmer. This we answered by showing that our wheat export was negligible and that there could be no shipping after the harvest because the lake shipping ends in November. If any real benefits would accrue, they would be had by the Canadian farmer who exports the majority of his crops. The gentlemen also spent some time stating that our manufactured-product export would increase. The facts are, however, that our ex-

ports are increasing noticeably under the present system and, therefore, we see no need for a change.

As to the matter of the increased use of electricity, it is now a known fact that steam generated electricity is much less expensive to produce; and we can in no way justify a 1,500 mile waterway for 2,000,000 kilo-watt hours of electricity when the same can be produced in a cheaper fashion.

Our opposition stated that the cost to the American taxpayer directly would be \$150,000,000. They forgot to mention that the entire project would cost about \$600,000,000. They forgot to state that each harbor would have an endless amount of dredging to do, and that the sectors of land through which the canal would run, would have to meet improvements and upkeep expense. They forgot to say that eminent authorities claim that "the annual overhead charges against the waterway, that is, interest and depreciation on the capital investment and maintenance and operation of the route, would amount, when figured on the most conservative basis, to approximately \$40,000,000, which means that the taxpayers are to contribute about \$3.50 per ton for the benefit of such shippers as would use the route. Thus, in order to effect a reduction of four cents per bushel in the cost of moving grain, taxpayers in general would have to contribute approximately eleven cents per bushel." We should like to have the Affirmative clarify this matter.

And then there is the matter of the railroads. During non-shipping months, the railroads would be taxed

to the nth degree to transport products when weather conditions were inclement. However, when conditions are good and a profit can be made, these roads must forfeit their one hundred per cent efficiency and summer profits to the shippers on this waterway. We in the United States are trying to raise wage scales. The largest single industry in the country, the railroads, who pay high wages, will have to bring their wage standards to a lower level because of competition of the lake and ocean shippers whose wage scales are among the lowest. Ninety-seven per cent of the railway leaders of the country are emphatically against this proposition because its adoption would bring immediate bankruptcy to thirteen large companies whose life blood is the west-east transport that would, during the profitable months, be carried on the waterway.

And now to one of the principal arguments of the Negative. Thus far in the debate everyone has been talking about west-east traffic, full boats, profitable cargoes, and tremendous savings. But what about east-west traffic? Are these huge ocean steamers going to the lake ports with no cargo? What imports do we have to provide tonnage for these incoming boats? It is an accepted shipping axiom that shipping rates are so low that a complete cargo to and from the farthest point is necessary. This, however, is not the case in the United States. We import no bulky products and raw materials in great quantities so that these boats would not have complete incoming cargoes. When these loads will not be available, the ships will

not come into the waterway; and, therefore, all the so-called benefits would burst as a mere bubble and would vanish as an unsubstantial dream.

So, therefore, we conclude our argument by giving you a summary of our case. We maintain there is no real need for this waterway because:

1. The railways adequately handle all shipments.
2. The need for a cheap common carrier for our wheat does not exist because the so-called market is fictional.
3. Our exports of other products are increasing under the present system.

Even if there were a need, this waterway would detrimentally meet it because:

1. It would ruin the railroads.
2. It would discourage ships from entrance because of no incoming cargo.
3. Large ocean going vessels would double the cost of transportation and decrease the speed of transportation to such an extent that it would become most impractical.
4. Because of the duplication of services caused by the waterway being closed five months of the year, an unsupportable burden would be placed upon our taxpayers.

With this in mind we say, "No!" to the Affirmative proposition.

Second Affirmative, Ralph Houseman  
Marquette University

LADIES AND GENTLEMEN: We of Marquette University have been interested in the very novel arguments so ably put forth by the debaters from Mount Mary College; but we, too, unfortunately find it impossible to agree with our opponents.

The arguments brought forward by the Negative may be summarized as four in number: first, that the project will not mean cheaper transportation; second, that the American farmer will receive no benefit; third, that the completion of the waterway will mean a costly duplication of services; and, finally, that Great Lakes shipping would be unprofitable because there would be no return cargo. Let us analyze briefly each of these arguments.

Our opponents rely upon the authority of one steamship line president to show that transportation would be more expensive under the proposed plan. It is a well-known fact that water transportation is much cheaper than rail transportation; and until the Saint Lawrence project is finished, all of our west to east shipments will have to go by railroad from Buffalo to New York. We need only cite the findings of the United States-Saint Lawrence Commission and its chairman, the Honorable William George Bruce, to show that rail transportation is necessarily more expensive than all-waterway transport.

Our opponents believe that the farmer will not be benefited. There is not a farmer in the Middle West

who does not know that the Saint Lawrence waterway will mean cheaper transportation. The American wheat farmer knows that the United States imported \$39,000,000 worth of wheat and flour at the very time they plowed their wheat under because of a lack of a market. Why? Because it was cheaper to import wheat from thousands of miles across the Atlantic Ocean than to send it by train from our western states. Our foreign market export has dwindled from \$155,000,000 in 1929 to \$15,000,000 today because Canadian wheat is given preferential rates on the Canadian railroads, whereas the American farmer finds himself sold down the river by piratical transportation costs. We propose to put the American and Canadian farmer on an equal basis by the construction of the Saint Lawrence waterway.

We have been told that there would be no return cargo and that hence the Great Lakes shipping would be unprofitable, but you and I know that the people of the Middle West have just as much demand for the European and Eastern products as the East has for ours. If the freight trains come back with cars full, we think it extremely unlikely that ships would make the backward journey with nothing more than rats, barnacles, and empty holds. We simply ask that our imports and exports go directly East rather than be subjected to frequent handling.

Finally, the debaters from Mount Mary have told us that the Saint Lawrence waterway would mean expensive duplication of services. What services? we ask the Negative. The very reason that a majority of the Senate, the President, and the vast body of the people

favored the Saint Lawrence waterway was that we lacked adequate service. It is our opinion that there will be no duplication of service until genuine service is first established.

Thus, Ladies and Gentlemen, we can see that there is a need for a Saint Lawrence waterway project. Our friends from Mount Mary College have not denied directly that our present transportation system is inadequate. Instead, they have tried to show that shipping on Great Lakes steamers is less costly than transit on ocean vessels. This, we point out, is not the issue. Even Great Lakes steamers cannot go to the Atlantic until the waterway is completed, yet by their stand this afternoon they refuse to agree that such completion is desirable.

No widespread opposition has stood against the Saint Lawrence waterway. The American farmer wants it, the western railroads favor it, a majority of the American Senate favor it, and President Roosevelt advocated its adoption. In the ranks of the opposition we find not one consumer, not one representative of agriculture, no representative of any manufacturer's group, not even one single person representing the homes of America. For the seaway treaty stand the producers and consumers of the nation—those who pay the bill. The American citizens are solidly ranked behind the seaway treaty, and the time will soon come when we shall decide whether certain special interests shall thwart the hopes and aspirations of a nation.

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MINIMUM WAGES AND  
MAXIMUM HOURS

*A Debate on the National Pi Kappa Delta  
Subject of 1936-37*



## MINIMUM WAGES AND MAXIMUM HOURS

### *HOBART COLLEGE AFFIRMATIVE AND NEGATIVE*

The most widely discussed debate subject of the 1936-37 season was the Pi Kappa Delta National Debate subject chosen annually for the chapters of that order but used extensively by other colleges. In the following discussion Hobart College, not a member of the Pi Kappa Delta order, presents its debaters on this proposition. It will be noticed that the first speaker on the Affirmative appears twice also on the negative side. It is the custom of most colleges to have their debaters study both sides of debatable questions as this is more educational for the student and gives him a better and broader basis for arriving at his own conclusions.

The Pi Kappa Delta question in 1936-37 was phrased: *Resolved: That Congress should have the power to fix minimum wages and maximum hours for industry.* As the President of the United States recently submitted a message to Congress asking for such legislation, it will be seen that the colleges once again have preceded Congress in debating a vital national issue. Last year the Supreme Court was discussed by the colleges, and this year Congress is wrestling with the issue. A few years ago the colleges debated the Control of Industry and formed their opinion of the NIRA before it was adopted.

The manuscript of this debate was submitted by Professor John T. Van Deusen and the Hobart debaters.

First Affirmative, Frederic Travers Neumann  
Hobart College

Realizing that the highest right of a free people is the right to make their own laws and to establish for their future government such principles as, in their

own opinion, shall most conduce to their happiness and welfare, we of the Affirmative propose to remedy the abuses of status quo by empowering Congress, through a constitutional amendment if necessary, to fix maximum hours and minimum wages for industry; first, because there is a definite need for a change if we Americans expect our United States to remain a democracy; secondly, because present industrial practices do not furnish adequate means for obtaining this progressive change; and thirdly, because the plan of the Affirmative does provide a method by which this beneficial change can be effected. Of course, we know that our proposal is not a panacea for all the ills of humanity. Yet, substantiated facts do prove that it will remedy many of the worst industrial evils from which we in America are now suffering.

First, living and working conditions throughout our nation reveal a definite need for a change. According to statistics gathered by the United States Department of Labor, of 940 women working in hotels and restaurants in Florida, 74 per cent receive ten dollars or less a week and 49 per cent receive six dollars or less a week; 42 per cent of women in all branches of the cigar and cigarette industry receive less than fifteen dollars weekly. In a census taken in thirteen states, we discover that 37 per cent of the women in laundries, 83 per cent of the women in "five and ten cent" stores, and 55 per cent of the women in manufacturing establishments receive less than \$500 per year. There are men who, employed in cotton mills 60 hours per week at ten cents per hour, receive a weekly wage of \$6. Men in

the aluminum industry of Peoria, Illinois, earn \$9 a week. Workers in the men's clothing industry are paid \$7.42 per week. Those in the underwear industry receive \$3.35 weekly, and workers in the needle trade of New York State receive \$3 a week. In 1929, at the peak of prosperity, 655,000 workers in the United States were sweating 60 hours and more per week. In the cotton goods industry, 50 per cent of the employees were working 60 hours a week. One-half of the employees in the lumber and timber industries were working 54 hours weekly. In the sugar industry, employees worked on an average of 59 hours per week, and in the Portland Cement industry, employees worked 61 hours a week. Here in our own state of New York, half the workers in low skilled lines do not receive sufficient wages to sustain themselves independently or to support their families properly. Furthermore, 22,000,000 men and women in the United States receive as wages less than \$600 a year on which paltry sum a family of four is supposed to survive.

Certainly, although these working conditions are bad enough, their significance in human life is much worse. Social workers and experienced investigators have discovered that long hours of work weaken the laborer's resistance to disease and endanger all those about him. Moreover, mortality and morbidity increase in inverse proportion to wages or the income of a family. Thus these 22,000,000 men and women who receive less than \$600 a year are deprived not only of adequate medical care but also of the ordinary decencies of life. For them, sanitation is a luxury—a luxury, unfortunately,

which they cannot always afford. Why have we had six major epidemics in the United States in the last decade? Why are 33 per cent of southern children and children in the slums of our northern cities degenerating from hookworm? Why are thousands of American workers unemployed and in institutions because of trachoma? The only answer, we must admit, is, as physicians and sociologists have discovered, that these sufferers are physically exhausted, underfed, poorly clothed, and inadequately sheltered because, as statisticians and economists have shown, they are forced to work long hours for low pay. Certainly, therefore, there can be no doubt that today a definite need does exist in America for maximum hour and minimum wage laws if we are to safeguard and promote the welfare of future generations.

Secondly, present industrial practices do not furnish adequate means for obtaining a progressive change. Of course, our opponents may claim that labor is unionized and exercises a bargaining power through the strike, picketing, boycott, and even sabotage. Yet, we must reply that less than one-third of labor is unionized, and that the employer can offset the laborer's bargaining power by the lockout, black list, injunction and perhaps the outlawed yellow dog contract. There is much conflict, but no permanent results. The worker desires security, but strikes make his livelihood uncertain. American shipping is paralyzed and the longshoremen are without employment for months at a time. The automobile industry stops production, and discontented workers sit behind idle machines while

prices begin to rise on the affected commodities. Soon, the innocent consumer must suffer. Thus, since 1805, strikes have flourished and multiplied in the United States; and yet 22,000,000 men and women still receive less than \$600 a year on which a family of four is expected to survive. Apparently, the change which is needed cannot be accomplished by present industrial practices.

However, as our third contention, we hold that the plan of the Affirmative does provide a method by which a beneficial change can be effected. If Congress were empowered to fix maximum hours and minimum wages for industry, experts would be chosen to study living and working conditions throughout the nation, so that the greatest good might accrue to the worker by fixed hours and wages. Child labor would automatically be abolished as no employer would pay a child a wage meant for a man or woman. The frequency and intensity of strikes would be lessened as labor would then enjoy living wages at set hours permitting the necessary rest and leisure. Sweatshops would disappear just as deadly rate cutting disappeared after the establishment of the Interstate Commerce Commission. Industry would function more smoothly as the cause for conflict between labor and capital would be mitigated by expert supervision. Unemployment would decrease and the purchasing power of 45,000,000 workers would increase as the fixing of maximum hours would necessitate the hiring of more labor. Industry itself would benefit in the long run; for, as Henry Ford has proved, the increase in production would more than compen-

sate for the increase in the unit cost of production. With the incomes of 22,000,000 underpaid men and women increased to living wages, the mortality and morbidity rates in the United States would sharply decline, and we should then become a stronger, healthier, and more productive nation.

Certainly, as we of the Affirmative have proved that there is a definite need for a change, and that our plan, and not present industrial practices, provides an effective solution, the Affirmative is justified.

First Negative, Frederic Travers Neumann  
Hobart College

At college we have a large, dark-gray, stone dormitory which, though not perfect in architecture, is nevertheless quite comfortable, well constructed, fireproof, and able to withstand both natural elements and undergraduate whims. Certainly, to replace this sound and satisfactory building with a structure more elaborate in air-conditioned studies, delicately carved furniture, and other unsuitable luxuries would be unnecessary, impractical, and impossible; first, because the present building serves its purpose adequately; secondly, because to keep the intricate devices of the new building in good condition would be a costly burden on all; and thirdly, because the construction of the new building would involve far too great an expense for those concerned. Thus it is in this debate. We of the Negative are defending a system which, though not perfect, has given the United States the highest

standard of living in the world; whereas our friends of the Affirmative, basing their contentions on a few exceptional cases, are proposing a plan which, because of its many intricacies and heavy operating costs, can never be effectively and beneficially enforced in our nation.

In order to preclude the misunderstanding which may result from the exaggeration of present industrial evils, we wish to point out that, according to the Brookings Institute, the majority of sweatshops and the worst sweatshop conditions exist, because of homework, in private dwellings and, therefore, cannot be regulated by maximum hour and minimum wage laws; and that the plan of the Affirmative is a step in the wrong direction as it is based on higher prices and decreased consuming power rather than on lower costs and increased production—both of which, according to the Brookings Institution, are essential to our economic welfare. Consequently, we of the Negative must reject the proposal that Congress be empowered to fix maximum hours and minimum wages for industry; first, because Congress, failing to legislate in behalf of the needy worker, will not improve his social status; secondly, because this legislative power, as a political instrument, will stimulate class rivalry between labor and capital; thirdly, because the administration at Washington, desiring higher prices or other aspects of prosperity, will abuse this prerogative as an inflationary measure; and fourthly, because the plan of the Affirmative makes for excessive centralization of power, resulting eventually in Congressional dictatorship.

Whenever an imperfection appears in our economic system, there are those who expect to remedy it merely by passing a law. But the reason for passing a law, the manner of interpretation, and the method of enforcement are not synonymous. Under the interstate commerce clause, Congress has regulated the hours, wages, and working conditions of railroad workers, controlled pipe lines, prohibited the transportation of developed prize-fight films across state boundaries, and endeavored to proscribe child labor. Thus, we feel that permitting Congress to fix maximum hours and minimum wages for industry is no guarantee that Congress will benefit the underpaid worker. Instead, it is merely a grant of power which Congress may use or abuse, with the many inevitable disadvantages of the abuse far outweighing the few uncertain advantages of the use.

First, Congress, failing to legislate in behalf of the needy worker, will not improve his social status. In order to substantiate this contention, let us turn to the National Industrial Recovery Act, under which Congress did not legislate for cleaners in cotton mills, for outside gang crews, for domestic servants, for tenant croppers, or for submarginal workers. Furthermore, lobbies, representing vested interests, are bound to exert a deterrent influence, a fact evinced by the failure of the child labor amendment. Certainly if, as in the case of the Soldiers' bonus, a lobby can force a preponderantly Democratic Congress to override a veto of the most powerful Democratic president since Andrew Jackson, no one can deny that lobbies are still of the utmost importance. We must also realize that there

are economic laws which preclude mere legislation. Wages are determined by demand and supply—that is, by the specific and general determinants of the subjective prices of parties to transactions in the labor market—and, therefore, cannot be arbitrarily fixed by Congressional edict. Moreover, no law can reach the majority of sweatshops and remedy the worst sweatshop conditions which exist, because of homework, in private dwellings. Thus Congress, failing to legislate in behalf of the needy worker, will not improve his social status.

Secondly, this legislative power, as a political instrument, will stimulate class rivalry between labor and capital. It is only reasonable that, as soon as Congress begins to regulate hours and wages, labor will strive to control Congress so that the minimum wages will be high and the maximum hours, low. But since the realization of these proletarian dreams means injury to many industrialists and bankruptcy to all marginal producers, capital will also strive for control of Congress so that the minimum wages will be low and the maximum hours, high. Every election will then become a deadly class struggle for economic domination rather than a democratic contest for political prestige. Instead of promoting co-operation between labor and capital—co-operation which must be the goal of every prosperous democracy—the plan of the Affirmative will stimulate class consciousness and class rivalry which is but one step from fascism or communism, depending, of course, on the victor—capital or labor.

Thirdly, the plan of the Affirmative is financially

dangerous as it provides for an easy, invisible, and therefore pernicious method of inflation. In order to inflate, the government will first raise the minimum wage standard. In a short while, after the industrialist has exhausted his reserves, prices will have to undergo a corresponding rise, and more money will be needed in circulation. The government will then be called upon to ease the tension by providing cheaper currency. In order to expand credit, the Federal Reserve Board will be obliged to lower rediscount rates, indulge in open market operations, and decrease the reserves held by member banks against their demand and time deposits. Whenever the government wishes more inflation, Congress may do it in a seemingly painless manner by using the minimum wage anesthetic. But after the operation, when the anesthetic is no longer needed, the suffering really begins. Our politicians, fearing financial ruin, may finally decide to stop inflation by reducing the minimum wage requirement. But the worker will object as prices will tend to remain high. Therefore, realizing the power of the laboring class, no politician, desiring office, will take the responsibility of lowering this minimum wage. Here, then, we have the beginning of uncontrolled inflation, the undermining of American business, and the destruction of American credit.

Fourthly, the proposal of the Affirmative is politically unsound as it makes for excessive centralization of power, resulting eventually in Congressional dictatorship. When the founders of this nation framed the Constitution, they devised a federal system in which

every state had certain necessary powers to prevent its becoming a nonentity under a central government controlled by powerful demagogues, and not of the people, by the people, or for the people. But once we empower Congress to abrogate the worker's liberty by arbitrarily fixing maximum hours and minimum wages for industry, we weaken this federal arrangement and undermine the foundations of our American democracy. Although this fixing of maximum hours and minimum wages by the National government may seem insignificant as the first step toward fascism or communism, it is, in truth, the most important step, as it sets a precedent and opens the way to further regimentation. Certainly, we must never exchange those constitutional safeguards which give us freedom under a mighty democracy for those foreign practices which give our European neighbors suppression under twentieth century despots. The person who favors political domination in business and who, at the same time, denounces fascism and communism, resembles the man who cries, "Thank God, I'm an atheist!"

Therefore, as we of the Negative have proved that Congress, failing to legislate in behalf of the needy worker, will not improve his social status, that this legislative power will stimulate class rivalry between labor and capital, that Congress may abuse this prerogative as an inflationary measure, and that the plan of the Affirmative makes for excessive centralization of power, we feel justified in contending that Congress should never be empowered to fix maximum hours and minimum wages for industry.

Second Affirmative, John G. Garvin  
Hobart College

My colleague has shown you that there is a need for the minimum wage and maximum hour regulation and that the Federal Constitution, if necessary, must be amended to permit such regulation. He has also shown you that this policy would be advantageous to the employee. I propose to show you that this policy would be advantageous to the employer; because, first, it will make the workers more contented; second, it will do away with certain of the undesirable influences of the unions; third, it will increase the purchasing power of the worker; fourth, it will ease the unemployment situation; and fifth, the passage of a law regulating the wages and hours of industry will have a decidedly beneficial effect upon our economic condition.

On analyzing our first point, we see obviously that if the employer makes the employee satisfied to stay with him, then he will eliminate the possibility of tying up his business in unnecessary strikes and delays. There are several outstanding examples of concerns using plans which have minimized strikes and which are equal to the goal desired by the passage of such legislation. Among them are the Dayton National Cash Register Co., the Procter & Gamble Co., the Kellogg Co., and the Ford Motor Co.

Ford is probably the best example of a concern in which the theory of the satisfaction of the employee has been used to the greatest advantage. In the first place, he works on the basis of large production and low

profits. His satisfaction of the employee has been brought about by having a more than fair wage, a minimum of \$6 a day, a thirty-hour work week, good working conditions, the use of profits for theaters, schools, homes, stores and other luxuries and necessities for his workers and their families. Ford considers that worker a partner in his business and treats him accordingly. Ford has found that by so doing he has increased his gains. For many years, as the result of his efforts, there have been no serious strikes or disturbances in plants under his direct jurisdiction.

We of the Affirmative believe that what has been done by Henry Ford, would be a good thing for all industries. To be sure, we could not have a minimum of \$6 a day in all factories; and the conditions which Ford is able to provide, could not be imposed directly upon all industry; but we do believe that his ideals provide a guiding star because they embody the principle and improvement we desire.

Secondly, minimum wages and maximum hours for industry would help quell some of the less desirable practices of the unions. We see, as I have already shown, that this legislation would make industry, and especially the employer, more free to move. The main purpose of the unions, as I see it, is to better the working conditions of labor. This is done, for the most part, by decreasing the number of working hours and raising wages. There is a limit to which the improvement in condition can go, and we believe that this law would be so satisfactory that there would be no need to better it. At least, this is true in New Zealand, popularly

known as the "land without strikes." It will also do a great deal to defeat the work of the union agitators. The workers will not take time out to listen to their arguments for they will have no practical reason for wishing a change. Also the men will not need to pay high fees to the unions and, therefore, will have more money to spend, meaning an increase in the amount of money in circulation.

We believe that the unions have done some good, but when we stop to think how much money is lost as a result of their strikes, we begin to wonder whether they are effectively living up to their ideals. In the recent General Motors strike there was a loss of about \$100,000,000 not only to the employer, but to the employee. And so we see that Unions are not the solution to our problem because unorganized workers compete with organized and undercut the price of labor.

The third reason for this policy being advantageous to the employer is that it will increase the purchasing power of the worker, which will create a greater demand for commodities, accordingly increasing production. The more money spent, the more work there is to be done; so it is reasonable to believe that the men will work more, get more money, spend more and, as a result of their spending, create more work, etc. By doing this, many of the slack periods, which are so prevalent in industry today, will be deleted from our business life.

We are now, it is generally conceded, on our way out of the doldrums in which we have been floundering for the past few years; so it behooves us to do anything

and everything that we can wisely do, to speed up recovery. We of the Affirmative are sure that the passage of our economic program will do much to hasten prosperity.

In considering our next point we see, very obviously, that if the hours are decreased, more men will have to be put on to fill in the shifts. The result will be the easing up of our unemployment situation and, at the same time, it will lift a great burden from the shoulders of charity and relief organizations.

Last, but not least, the passage of a law empowering Congress to regulate minimum wages and maximum hours for industry, would have a decidedly beneficial economic influence on our country. In reports compiled by a number of well-known concerns interested in this proposal, we find that they are very much in favor of the passage of this legislation, partly because it will prescribe conditions similar to those wage and hour regulations of the NRA, which did much good for industry in that respect. Regarding the NRA, an article in the *Monthly Labor Review* for November, 1935, says: "For two years under the NRA codes, the bulk of American industry adjusted itself to a forty-hour schedule with benefit to both production and re-employment."

What would happen to the prices of commodities with increased wages? I quote from the Standard Statistics Company: "Such an act will have only minor effects on costs and profit margins." This company is recognized as infallible in its field; therefore, we must recognize the fact that the passage of a uniform wage

and hour proposal by Congress, if and when it is given power, will have only a minor effect on costs of commodities to you and me, and also to the extent of the earnings of the business men, both large and small.

The Honorable Hamilton Fish has affirmed that the majority of employers are not opposing this law; it is only the cut-throats and chiselers, for the most part he says, and not the big employers of labor. Reports show also that 90 per cent of the employers of labor are in favor of a minimum wage scale in the industrial states of the union.

And so, Ladies and Gentlemen, I have shown you that this proposal, empowering Congress to fix minimum wages and maximum hours for industry, is approved by, and will be advantageous to, the employer because it will make the worker more contented and, therefore, eliminate many strikes; it will do away with certain of the undesirable influences of the unions; it will increase the purchasing power of the worker; it will ease the unemployment situation; and it will have a decidedly beneficial effect on our economic condition. Thus we, along with industry and the forward looking men of the nation, desire the regulation, by Congress, of hours and wages for industry.

Second Negative, Sydney J. Browne  
Hobart College

I am convinced that the gentlemen of the Affirmative abhor the "economy of scarcity" and because they do, they propose to empower Congress to regulate maxi-

mum hours and minimum wages for industry and, ipso facto, millions of American men and women will be rescued from filth and disease. We of the Negative are equally desirous of coming to the rescue of the under-paid, the exploited worker, that is precisely why we deny that Congress should be so empowered.

In the presentation of arguments favoring such legislation, there are certain fundamental issues which our opponents must discuss if we of the Negative are to offer an honest appraisal of their case. We must know,

1. What the basis for fixing a minimum wage will be.
  - a. Will it be a fair wage?
  - b. Will it be a living wage—what do the gentlemen consider a living wage?
2. We wish to know what effect such legislation will have on our foreign trade.
3. What provision does the Affirmative make for agriculture?
4. By what plan does it propose to enforce its legislation once it is enacted?

Ladies and Gentlemen, we are not satisfied with the answer that these problems will be studied and solved by the agency set up by the affirmative proposal. We say this because psychology tells us that Americans have not yet learned the difference between the verb "can" and the verb "should" nor between the verb "ought" and the verb "will." American mentality has not yet been able to distinguish between what it is desirable to do and what a government, especially a National government, in a country extending over five

millions of square miles and with 125,000,000 people can actually do. And so, we of the Negative refuse to act upon such assumptions until we know more about it; we must know that the thing can work, for we can ill-afford to pay the price involved on the hypothesis of theory of political promise. My colleague, Mr. Newmann, has proved to you that it is highly probable that Congress would not legislate to the benefit of the so-called exploited labor class. But what if Congress should so legislate? Then, my friends, we face a serious situation, for such legislation would prove more harmful than beneficial to that class of workers.

There are many practical objections to the proposal as advocated by our opponents—I shall enumerate but three of them.

In preparation for this debate, I have read numerous articles on the question of purchasing power. It interests me to note that in every article, written by a politician, the conclusion is that purchasing power would be increased by such legislation. However, in every article written by an economist, or political scientist, the conclusion is that purchasing power would *not* be increased.

Whom are we to believe?

We of the Negative cast our lot with such men as Doctors Seligman of Columbia, Taussig of Harvard, Ely and Commons of Wisconsin, and Fisher of Yale to mention but a few.

What the proponents of such legislation see is quite plain to us all—there would be a larger total number of dollars entering the pay envelope of the American

worker, that is, that portion of the workers who would benefit by such legislation. But what they fail utterly to see is that the real wages of these men would not be increased. Our opponents fail to distinguish between "money wages" and "real wages."

If wages are increased, the unit cost of production is increased, and hence the cost of the products of industry to the consumer. In other words—raise wages, and prices rise automatically. What happened in March of this year when the Steel Corporations raised their wages?—The price of steel jumped anywhere from three to eight dollars a ton. What has happened as a direct result of the increased wage made necessary by the recent strikes?—Every commodity on the market today is from four cents to four dollars higher in price. It is quite plain, my friends, that while a small percentage of the workers will have more money, those same dollars will buy no more. Assuming for the moment that some 15,000,000 workers would realize an increased wage, (We think this an exaggerated figure, but be that as it may), we have some 48,000,000 workers employed in industry. Prices are going to rise for some 33,000,000 workers whose wages will realize no increase. While the purchasing power will not be increased for those men who do realize an increase in wage, it will actually be lower for some 33,000,000 workers and 90,000,000 consumers.

Twice in the recent history of our country Congress has tried to regulate wages, and both times prices rose more rapidly and considerably higher than did wages. During the World War, Congress controlled the rail-

roads; and what happened? Fares increased approximately three per cent more than did wages. What happened during the recent National Industrial Recovery Act? Wages increased by 7.28 per cent for some 19,000,000 workers; and prices increased about 9.3 per cent for 48,000,000 workers. Is this what the gentlemen of the Affirmative would have us believe is an increased purchasing power?

It makes no difference how one looks at it, the American worker cannot escape the burden involved in executing the proposal which the *Affirmative* advocates.

My second objection to the proposal is that such legislation would increase unemployment.

What does the *Affirmative* propose to do about the slow, the inefficient, the aged worker—those men with large families depending upon them, who, because of some physical weakness caused by disease, are not competent to earn the minimum wage as set by law? They are going to be discharged; no employer will continue to employ men who cannot in return produce to a capacity equal to their wage.

The *Negative* would like to know if the minimum wage is to be the same for women as for men in those industries where they may legitimately compete. If it is the same, then only men will be employed because of their greater efficiency; this will result in the unemployment of women. If, on the other hand, the minimum wage is to be lower for women, employers will hire as many women as they can, thus forcing men out of employment. There are few industries in America today that could not dispense with much of their male

help if employers found it more profitable to hire women. There are few machines in American industry today that women could not be taught to operate. What happened in Massachusetts when a minimum wage law went into effect for women? One thousand scrub women were discharged and their work passed on to janitors already overworked. Was eight dollars a week not better than relief? We believe that it was; and because of our conviction on this point based as it is on actual fact, we contend that the unemployment problem would be aggravated rather than relieved. We further contend that unemployment would be further increased because, under the proposal as advocated, industry would migrate to sections where the minimum wage was lower. Why, we ask, are Fall River and New Bedford, Massachusetts, deserted textile centers today? Simply because the Massachusetts legislature decided that women should be paid a minimum wage. One-third of the textile industry has left New England and moved into the South because labor is cheaper there as a result of their lower standard of living. Why have the Brockton Shoe Manufacturing Companies opened plants in New Hampshire and Vermont? Simply because the Massachusetts law forced the employers to pay women a minimum wage. Why is most of the textile work of the Franklin Process Company done in the South and shipped North to be dyed and distributed? Simply because the labor costs are lower in the South than they are in the State of Rhode Island. The standard of living is so much lower in the South that an employer can afford to move his whole plant

into those regions where a lower wage is sufficient to meet the existing standard of living. Give Congress the power to regulate maximum hours and minimum wages and, unless our friends propose to equalize the standard of living for all men in all parts of these United States—an impossible task—industry will migrate and unemployment will be further increased.

No, my friends, the Congress of the United States should not be empowered to regulate maximum hours and minimum wages for industry. Do not be deluded by those, who, styling themselves progressives, would increase the power of Congress at the expense of the individual. They are the false reactionaries; they are the enemies of the people they most would help; they are the people who would lower our purchasing power, increase unemployment, and cause industry to migrate.

In closing, my friends, I repeat that the gentlemen of the Affirmative must answer the questions which I asked them this evening.

Third Affirmative, Samuel G. Warr  
Hobart College

The evidence that has thus far been presented shows the need for this policy of maximum hours and minimum wages for industry. Too long have men, women, and children been without protection from economic exploitation and pauperized labor. Every civilized country in Europe for years has had minimum wage standards, and now the time has come here in America for both parties, irrespective of partisanship, to eman-

cipate three million white American slaves—men, women, and children who are destitute and in need. Something must be done. We of the Affirmative do not propose to condemn a large part of our population to perpetual squalor, poverty, undernourishment, and destitution through inactivity or neglect; and so, consequently, now is the time for giving Congress the power to fix maximum hours and minimum wages for industry.

The Negative does not deny that there is exploitation, and so the question yet to be decided is whether there should be federal or state authority.

Should this power be left to the states, we would have forty-eight separate codes. Some states would perhaps pass suitable laws, while other states, lacking sufficient interest or knowledge of true conditions, would make futile efforts to remedy the hardships of labor—if they made any at all. For proof of this, witness the many different laws in the various states concerning education, marriage, crime, and child labor. It is evident that the method of state regulation would not suffice.

Congress, however, has had much success in the administration of the Federal Trade Commission, the Federal Reserve System, the Interstate Commerce Commission, Panama Canal Authority, control of Alaska's railways, and recently the Tennessee Valley Authority. These are examples of the government's achievements in business. All of this seems to indicate that the authority to fix maximum hours and minimum wages

should logically rest with Congress and not with the states.

Then, too, if the plan was adopted in some states and not in others it would cause (1) a migration of capital from the states where the standards were high to those where they were low. If an employer saw that he could secure cheaper labor, and further reduce his expenses by moving his plant from the North to the South, he would move. (2) Because of lack of uniformity among the states, competition would arise among the various states which would bid, through low wage scales, for capital from other states. This migration of capital would work a great hardship on labor, since it would favor one section of the country to the exclusion of the other, and would consequently be undemocratic. It would penalize states which were sincerely attempting to look out for their citizens. The Negative has to accept the status quo, or various state plans, and the disadvantages and evils of each can easily be seen. It resolves again, then, that the power to fix maximum hours and minimum wages for industry should rest with Congress.

The Negative, of course, wants you to think that they are progressive, but they hesitate to take any step forward. The plan we propose is surely in line with progressive legislation. Franklin D. Roosevelt in his inaugural address said that America has not reached her "Happy Valley" so long as one-third of the nation is "ill-housed, ill-clad, and ill-nourished." Convinced that the nation would not listen to the do-nothing counsels of "comfort, opportunism, and timidity," he

promised to "carry on" and provide for "those who have too little."

The policy of limiting hours and wages is not a new one. The movement began in the United States in 1840 when Martin Van Buren, by executive order, stipulated a ten-hour day for government employees. These have since been reduced to seven hours for clerical workers and eight hours for all others. Congress has already fixed hours of labor on steamships in interstate commerce, and on government employment on mineral lands leased by the government for underground work. LaFollette in the Seamen's Act of 1915 did it for seamen. In 1916, the Adamson Act did it for railroad workers. The Transportation Act in 1920 did the same thing. The NRA, which was declared unconstitutional, attempted to do it. The Social Security Act provides for a guaranteed income for those *over* 65, but what is going to happen to laborers until they *reach* 65.

This program, which we propose, is only a logical evolution which has been going on in the United States for one hundred years. Our plan would apply these principles to all industry—reaching beyond the field of organized labor to give the poor man in unorganized labor his chance. If a decent standard of living is good for railroad workers, it is good for cotton workers. If it is good for laborers on government leased coal fields, a living wage is good for those working in private coal fields.

In the light of these facts, then, we propose to empower Congress, by Constitutional amendment if neces-

sary, to fix maximum hours and minimum wages. We propose to do it by setting up an organization *similar* to the Federal Reserve Board, established by Congress. The country would be divided into twelve regions in the same manner as in the Federal Reserve System. In each of these districts there will be a regional board, with quasi-judicial power, made up of seven members. Two members will be representative of labor and its organizations, and two will be representative of the employers. The last three will be appointed by the President with the advice and consent of the Senate, and will consist of one economist, one sociologist, and one other member. These twelve boards will fix maximum hours and minimum wages in their regions, allowing for necessary items affecting the cost of living, raw materials, etc.

Over these twelve boards will be a Federal Board established under the Department of Labor. Its duties will be to aid in co-ordinating the work, and settle disputes which may arise. Basis for fixing wages can be found in the Social Security statistics which are now being compiled. Thus our plan will have the flexibility which would be lacking in a blanket scale.

Now, we of the Affirmative do not claim that our plan will result in Utopian conditions for industry. No one can devise a plan or system of organizing society or any of its units without leaving himself open to criticism. But if our plan will help even one-tenth of those poor people in American industry, we feel that it is justified. If it helps only one-tenth of sweated and child labor, it constitutes a step in the right direction.

In conclusion, let me briefly review the points which we of the Affirmative have endeavored to prove to you. We have shown the great need for maximum hours and minimum wages, and that the trend toward this end has been going forward for nearly one hundred years. We have proved that it will better the worker's health and increase his purchasing power. It will eliminate child labor, make for more contented workers, and will do away with certain undesirable influences of the unions as it is conducive to industrial peace. It would have a beneficial effect on business. We have also shown that this authority is best in the hands of Congress, and that it is in keeping with progressive legislation.

In view of these facts, therefore, we of the Affirmative conclude that Congress should be empowered to fix maximum hours and minimum wages for industry.

Third Negative, George G. Hull, Jr.  
Hobart College

Before continuing with the negative case, allow me to review very briefly what my colleagues have already pointed out to you. In the first place, the gentlemen of the opposition have not demonstrated any real need for such a tremendous grant of federal power, as Mr. Neumann showed you. The exaggerated conditions which they have spent so much time deplored, are made up of exceptional and isolated cases which do not require federal action. Remember, less than one hundredth of one per cent of industry is sweated, according to the

Brookings Institution. Then, too, much of the sweated work is carried on in private dwellings where it could not be touched by such action.

Mr. Neumann also pointed out that we have absolutely no guarantee that Congress would legislate specifically for the submarginal worker. Mr. Browne proved that even if Congress did so legislate, the worker himself would be injured more than he would be helped because of his decreased purchasing power and the marked increase in unemployment. In closing, he asked the gentlemen of the Affirmative some very definite questions concerning the operation of their plan; questions which they have chosen to ignore completely, either because they are unprepared to answer them, or because they realize that any answers they might give would be injurious to their case.

It is my privilege to continue the negative argument by further showing that even if the submarginal worker could be helped, a far greater number would be injured; in short, the rest of our economic order.

In the first place, the minimum would tend to become the maximum, as employers would reduce the wages of those in the higher brackets to meet the legal minimum required for the rest of the employees. Such was the case under the ill-fated NIRA. It is interesting to note the objection raised at that time by the American Federation of Labor:

“The wages of those formerly receiving higher rates than the figure established as the minimum were not sufficiently increased, but on the contrary were reduced.”

The unions today will not support such a measure, for they are not interested in securing a living standard, but rather a living standard, *plus!*—not bread alone, but jam on their bread. And this objection is well founded, because such a law would be unfair in that there would be no compensation for the workers in the higher brackets who should receive a corresponding increase due to their greater efficiency and skill, instead of a reduction.

The Affirmative claims that unemployment would decrease due to the creation of jobs because of shorter hours; that possibly, six million men would be put back to work. Our unemployment problem, I would remind the worthy gentlemen, is a technological one; nor does it stand to reason that an employer can, by shortening hours, still pay minimum wages to more men for the same productive output. They also fail to take cognizance of the qualifications of those presently unemployed. The United States Department of Labor reports reveal that there is, at present, a definite shortage of skilled labor in all fields, especially in that of mechanics. It is logical to suppose that employers can profitably hire great numbers of unskilled men to do the work of skilled labor—and still pay them the same minimum? It would increase his productive costs and decrease his output.

Now, let us consider the results of the plan to you and to me. As I have just shown, in industry the minimum wage would tend to become the maximum. But what of its effect upon some ten millions of our farm population, upon our salaried classes, upon the rest of

our economic order? They will have to bear the cost of minimum wage legislation through higher prices. There would be absolutely nothing to prevent employers from raising prices to meet the minimum, as Mr. Browne showed you. This price increase would discriminate against all who would not receive wage increases directly through such legislation. The farmer, forced to pay higher prices for manufactured goods, would retaliate by boosting his prices; and our whole economic system would suffer thereby. The Brookings Institution definitely asserts that the only hope for sustained economic recovery lies in an emphasis upon decreased prices through increased production.

Although we have waived the question of the constitutionality of such a step, that does not preclude our consideration of the proposal from the political point of view. There would be a definite temptation for Congress to fix prices in order to insure the objectives of the plan—a higher *real* wage in the pockets of the submarginal worker, not just a higher monetary wage. This is not an idle thought, for the President has strongly intimated that he desires federal control of production and distribution. Then, Ladies and Gentlemen, control over our industrial system would be practically complete, and industrial control paves the way for federal dictatorship. I do not intend to be an alarmist, but may I point out that, under the guise of social ends, a sinister ambition for embezzlement of authority is more often concealed than under a firm determination to maintain or protect the *status quo*.

Imagine the log-rolling and lobbying that would arise from Maine to California in an attempt to influence the wage standards. It would tend to increase the friction between labor and capital as classes, each banding more strongly together in groups to exert greater pressure upon wage fixing commissions. And what political leader would take the responsibility of raising or lowering wage standards when necessary to meet suddenly changing conditions, if such a step meant the loss of the support of the faction which put him into power? Do we wish our economic system to be governed by the laws of economics or by federal codes arbitrarily established by appointed officials under tremendous political pressure?

Now, to one last phase of our argument—the suggestion of a few alternate plans. We do not, of course, advocate government control of wages or hours in the light of the case we have presented. But even so, Gentlemen of the Affirmative, state control would be preferable to federal control, granting for a moment, for the sake of argument, that such regulation might prove to be feasible. State control would prevent centralization and enable each state to deal with the particular problems peculiar to that state. There would be no discrimination, because there could be an extension of the Ashurst-Sumners Law to prevent the sale of goods in regulatory states made by sweated labor in non-regulatory states. Such state control, too, should provide for a compromise between what a worker might need and what he could actually earn.

Or, we suggest an excise tax on all goods in interstate commerce made by sweated labor.

Or better still, we should prefer the action of the recently created National Labor Relations Board to settle wage disputes.

Please bear in mind that we are not advocating any one of these plans, but rather we merely wish to indicate that any one of these rudimentary plans would be preferable to the one proposed by our friends of the Affirmative here this evening, since it would not have disadvantages that far outweigh its advantages.

Allow me, in closing, to summarize our case:

First, there is no real need for such a tremendous grant of federal power.

Second, the whole theory of minimum wages is fallacious because there is no guarantee that Congress would legislate for the submarginal worker. If Congress did so legislate, he would be injured; and, even if he were helped, the rest of our economic order would suffer.

Third, the plan would be a very dangerous precedent leading to excessive centralization of power.

Fourth, the details of administration and enforcement are entirely too hazy—the proposal couldn't work in practice even if theoretically true.

And last, even if regulation were necessary, any one of the alternative plans I just suggested would be preferable.

First Negative Rebuttal, Frederic Travers Neumann  
Hobart College

As the Affirmative believes that its plan will stabilize industry and reduce the labor turnover, our opponents do not realize, apparently, that no political laws can change economic laws arbitrarily without causing commercial disturbances. Thus, with no regard to its effect on prices and production, the fixing of maximum hours and minimum wages in industry, and not in agriculture, in the professions, and in domestic and other white-collar occupations, will destroy what adjustment there is in our business and financial worlds and "unstabilize" industry. Furthermore, as the employer, forced to pay minimum wages, will take only the strongest and most efficient workers, those who though weak or handicapped are now earning a living, will then be dismissed. Workers will be hired, exhausted, and fired. Even women and children may be used as apprentices to operate machines for short periods, and then, after serving their purpose as vicarious workers, discharged to make way for another exploited group. Consequently, as this will increase the labor turnover by exploiting women and children, the plan of the Affirmative is both unsound and harmful.

Although our friends of the Affirmative feel that their plan is beneficial to the worker, we wish to point out that labor unions will be weakened, that the bargaining power of the worker will suffer, and that only the disastrous effects of strikes will remain. First, when the average worker hears that the government is

forcing his employer to pay him a minimum wage, he will not care to give his dues to a union whose purpose has already been accomplished. As many workers will be quite satisfied with this minimum wage, the labor unions will lose membership. Secondly, with this decline in membership, the unions will lose prestige. Thus, when the worker desires better working conditions with higher pay, he will discover that, as he has neglected his union through which he once exercised his rights of improving his status, he no longer can exert any effective bargaining power. Thirdly, the unions, though weak, will still strike in a last desperate attempt to obtain their wishes. But they will succeed only in disrupting industry. Labor will then realize that Congress, by fixing maximum hours and minimum wages in an arbitrary manner, has not only subordinated the interests of the worker to the interests of the politician but also destroyed the incentive which gives the worker his strongest weapon, his bargaining power.

Our opponents also feel that, as the shortening of hours and the increasing of wages have been adopted by a few of our large corporations, and have proved satisfactory, they should prove satisfactory on a nationwide scale. Yet they would not say that because a few people need little sleep and a light diet, everyone should follow the same plan. Consequently, just as there are variations among men in the same group, so there are variations among establishments in the same industry. Moreover, many large corporations maintain high standards because those high standards bring a certain degree of prestige in advertising and because

the corporations can afford to be generous while, at the same time, they increase their profits. On the other hand, the marginal producer, especially the employer of a few workers, will be ruined financially as many were under the National Industrial Recovery Act. Because of limited capital, his small enterprise will find adjustment to new hour and wage scales impossible. As his subjective price equals the market price, even the slightest increase in his costs—effected by higher wages or the same wages for shorter hours, will drive him first into submarginal production, then bankruptcy, and finally disorganization. It is, therefore, quite evident that the argument of the Affirmative is both economically and logically fallacious.

In claiming that the proposed laws will prevent exploitation of the worker, our opponents forget that many employers, forced to pay minimum wages, will drive their employees to the utmost. Weak, elderly, or handicapped workers, unable to earn the minimum wage, will be discharged. The sweatshop of the present day which pays low wages for mediocre work will be replaced by a real sweatshop which will pay minimum wages for only excessive amounts of constantly exhausting work. Such arduous activity at maximum hours is bound to injure the employee's health and shorten his working life. Thus, the employer will become a legitimate slave-driver and a new type of exploitation will thrive under law.

Finally, the Affirmative ignores the following questions which emphasize the impracticality of the affirmative plan.

Will the minimum wage vary according to living conditions throughout the nation and will maximum hours vary according to the nature of the work?

Will there be a blanket minimum wage for all industries or a special minimum wage for each industry?

Will the employer retain weak or handicapped workers incapable of earning the minimum wage?

Will men and women receive the same minimum wage?

What will be the basis for minimum wages and maximum hours, and what will be a just minimum wage and adequate maximum hours?

First Affirmative Rebuttal, Samuel G. Warr  
Hobart College

Our friends of the Negative have told us that our plan is unnecessary because already there are forces which are adjusting industrial conditions. These forces, they say, are found in labor organizations, and in the increase in labor's bargaining power. We cannot agree with our friends of the Negative, first, because labor organizations touch only those who can afford to be members of them, and, therefore, cannot and do not include the exploited worker. Secondly, we cannot agree with our friends because, in order to gain what they desire, labor organizations resort to strikes. These paralyze industry and result in financial losses to both employer and employee. Such demonstrations as the Seamen's Strike on the Pacific Coast

are entirely unnecessary and are definitely detrimental to all industry.

Through our plan such a situation would have been eliminated by the regional boards. Labor and capital would have had to meet and discuss terms; and, with the government's prestige and power represented on the board, satisfactory settlement would have come far sooner than it did under the "catch as catch can" method which was used.

I should like to bring to your attention again the reasons why we feel that the states are a faulty agency to administer maximum hours and minimum wages for industry. Not only does the state plan represent the status quo; but, should it be further used, two things will happen, as I have shown. (1) Capital will migrate from states where standards are high to states where they are low. (2) This lack of uniformity resulting from forty-eight separate codes would create competition between the states which would bid, through low wage scales, for capital from other states. The object of the whole plan, namely to help the financial status of the laborer, would then be completely defeated because it would thwart the efforts of conscientious states which were really trying to better the conditions of their industrial citizens.

The Negative has said that our plan would violate the employer's freedom. It would do exactly the opposite. Since it requires the payment of higher wages, the employer will find himself in possession of contented and co-operative workers. This will not only increase factory production; but it will also make for

a better home market, as it is conducive to industrial peace.

Furthermore, when high wages are paid by the employer, he sees that he gets full value for his money. This requires that there be expert management and machinery in good condition. He will also take steps to stop many of the leaks in production that result in price increase. In doing all these things the employer must of necessity become interested in education, housing, recreation facilities, etc. The results then are beneficial both to himself and to his employees.

The Negative has argued that our plan would result in the closing down of many industries because employers would be unable to meet the wage requirements. If this be true then that industry has no claim for special consideration. Let him reduce his waste, and stop leaks, and be more efficient. American industrial business men have never really *had* to "pinch," and it would probably do them good to conserve materials as well as increase the efficiency of their management. This contention is abundantly supported by the report of the Hoover Commission on the Elimination of Waste in Industry. The report shows that waste frequently accounts for fully half of the production costs of an article.

But, after all, what is it we want from life? Human nature desires, in general—safety, comfort, enjoyment, and other satisfactions, and probably most important of all—security and financial independence. These latter desires are paramount in the Affirmatives' consideration.

The "die-hards" who a few years ago opposed women's rights, workmen's compensation, and other progressive measures, are still the ones who are loudest in their denunciation of pension systems, unemployment insurance, and even minimum wages and maximum hours for industry. They forget that society definitely recognizes faithful service and a man's equity in his life's work and is determined this dividend shall be paid.

Second Negative Rebuttal, Sydney J. Browne  
Hobart College

The first speaker for the Affirmative has told us that by the proposal which he advocates there would be an "absolute elimination of sweatshops." My friend went on to tell you that there is a great amount of sweatshop work done in the home. True, my friends, there is a very large amount of sweatshop work done in the home. The Brookings Institution tells us that less than one one-hundredth of one per cent of labor is sweated and of this percentage the majority work in the home. The Affirmative aims to eliminate sweatshops—how do they propose to do it? Do our friends of the opposition know that no action of the Congress of the United States can regulate the pursuits of man in his own home? Do our friends know that for this very reason, the very proposal which they advocate here this evening cannot eliminate even the most extreme conditions—how then can it lead to "an absolute elimination of sweatshops"?

The second speaker for the Affirmative has told us that the proposal which he advocates will affect only those industries where labor is underpaid—he refers to the marginal employer, my friends. What, I wonder is an employer going to do when he finds that in spite of anything he can do, the wage output is drawing from his fair profits? If an employer finds that he cannot pay the wage as fixed by law and still operate at a profit, of course there is but one thing left for him to do—close his establishment. This is not a theoretical contention. It has happened in the past. It happens today, and we feel it would probably happen to a greater degree if the wage of the worker in marginal production were raised by law.

The third speaker for the Affirmative spent a great part of his time enumerating some of the existing evils of our present economic society; he quoted a few scattered figures in a futile effort to prove to you that the problem is a widespread one. He asks us if people can live on eight dollars a week? Yes, my friends, people can live on eight dollars a week, and people are living on eight dollars a week. I wonder by what yardstick our friends of the Affirmative measure a standard of living? Seventeen dollars a week in California affords the same standard of living as does twelve dollars in New York State. Nine dollars a week in Louisiana affords the same standard of living as does fourteen dollars a week in Illinois. In the State of Texas alone there are five distinct standards of living, ranging from six dollars a week to ten dollars a week. Would the gentlemen have us believe that the

Southern Negro aspires to the same standard of living as does the New England Yankee? Do our opponents know that in the last three years 1,042,000 immigrants augmented our supply of unskilled labor. The standard of living to which these people aspire can hardly be likened to that of most native-born Americans. When the Affirmative advocates a reduction in hours and a raise in wages, they seem to overlook the important fact that that class of workers to which they refer as "exploited labor" is comprised of foreign born who are today realizing a standard of living far above that which they left. We do not contend that this justifies their continued existence under such conditions; but we do contend that no action by Congress can compel these people to forsake the habits of life by which they have lived most of their lives. This is not sentimental, my friends, but sound, logical economics that through immigration the rise of wages has been checked and will continue to be checked unless we erect even loftier barriers than we have today to those who would enter our country and further augment our unskilled labor class.

In my constructive argument, I asked that the Affirmative answer certain fundamental questions. The last speaker for the Affirmative told us that he feels it only proper that he should answer us. He told us that the basis for fixing a minimum wage will be "the decency standard." My question is answered, but what in the name of thunder is a decency standard? He then went on to say, "Foreign trade would not be harmed, Congress would take care of the farmer. A body shall be

appointed to administer our proposal." Now Ladies and Gentlemen, I do not mean to dwell on the technique of debate, but do you think that these questions have been answered? Of course not! In conclusion, I repeat my questions:

1. What will be the basis for fixing a minimum wage?
  - a. Will it be a fair wage?
  - b. Will it be a living wage—what do you consider a living wage?
2. What effect will such legislation as you propose have on our foreign trade?
3. What provision do you make for agriculture?
4. By what plan do you propose to enforce your legislation if it were enacted?

May I add one question and ask you what a decency standard is? We feel that the next speaker *must* answer these questions.

Second Affirmative Rebuttal, John G. Garvin  
Hobart College

Nothing could be more beside the point than the argument that the adoption of the affirmative proposal would be very undemocratic and that it would ruin our system of government. Our government is based upon the principle that we should do what is best for the majority of the people. Certainly, living wages for our great working class could be interpreted to come under this proposal of being good for the majority of the people. The real lack of democracy comes under the

present system that will allow workers to labor for wages as low as two dollars a week.

The Negative does not admit the need for our plan. Do you believe that there is no need when we have conditions such as those reported in Massachusetts of one cent an hour in one place; other places where training periods are used with no pay and then those who have been trained fired, and others taken on to learn for nothing and in turn lose their jobs; and in Louisiana restaurants where the wage is as low as six cents an hour and the charges made reduce the wages to as low as \$2.19 a week. A commission report in California shows wages so low that a woman and her husband average only 45 to 75 cents a day. They were paid two cents for picking a box of spinach weighing about 70 pounds. Is it humanly possible for us to overlook these conditions? I don't see how we can. Nor can we overlook the wages paid in clothing establishments such as the average for women factory workers of \$7.85 a week in women's clothing, \$7.42 in men's clothing, and in the underwear department \$3.35, and so on down the long line of average wages. Yet the Negative says we have no need for minimum wages. With these facts and the many others presented by my colleagues in view, and hundreds more like them, the Negative insists that there is no need. We will leave that to your judgment. Due to these conditions, many men have to go on relief in order to get enough to live on. This means that the government is actually subsidizing the sweatshops by keeping poorly paid workers on relief. The huge relief bill of our government would be greatly reduced if

we had minimum wages that would provide a living wage. The reduction of our relief bill alone is enough to justify the passage of our proposed economic program.

The argument has been raised that the workers have the power of collective bargaining under the Wagner bill and that this power can raise the wages in our sweatshops. This sounds very grand, in theory, but in actual practice the workers in sweatshops have no bargaining power at all. They are forced to work for small wages, so that any strike would soon wipe out their meager savings and they would have to return to work, or starve. These men are as helpless as children and should be protected by having laws prohibiting the exploitation of labor.

Our friends of the Negative have made the statement that the granting of this power to Congress would harm the small business man. They are taking a stand on this question that is just the opposite of what will really happen. The real result will be that the small worker, or rather business, will be aided through the elimination of the large competitor who has been paying starvation wages. The small business man has been paying wages that would probably be above the national minimum. If he has not and cannot, then we feel that he should be eliminated from business, anyway.

The question of the American Federation of Labor has come up. The Negative has quoted statements from this organization showing that it is opposed to this legislation. All right, maybe it is, but what

of it? It controls only one-third of labor with its unions; and the majority of these union men are in the skilled trades. What we want this relief for is to help the men who are in the 66 per cent and who cannot bargain for themselves. We want to help the majority and not the few.

It seems that in this entire discussion no mention has been made as to the effect this plan will have on professional men, at least so the Negative has said. This is true, but we see no need for any regulation of the wages of professional men or the regulation of hours either. Most of these men are in a position that does not warrant this regulation. Imagine a doctor refusing to operate or make a call because he had already worked his seven or eight hours for that day, or a lawyer refusing to conduct a trial because he had already worked the thirty or forty hours for that week, I can't.

Thus it is that so far the objections of our friends of the Negative do not seem to hold any water, at least from our point of view.

Third Negative Rebuttal, George G. Hull, Jr.  
Hobart College

The gentleman who just left the floor attempted very cleverly to obviate the basic objections to his proposal by maintaining that his plan was intended to affect only some six millions of submarginal workers. Perhaps, Ladies and Gentlemen, his plan is so intended, but nowhere in the wording of the proposition we are

debating do I read—fix minimum wages and maximum hours for *sweated* industry. Can the Negative prove that under the wording of the question Congress would not have the power to do far more than concern itself merely with *sweated* workers—something it has never done in the past?

The gentlemen of the opposition in answer to our demand for details of administration and enforcement glibly proposed that the power in question would be delegated to boards of experts qualified to solve these technical problems. I must compliment them upon the adroit way in which they seek to avoid one of the major issues of the debate. We of the Negative stoutly contend that the affirmative plan is so incomprehensibly unwieldy both in administration and enforcement that it would fail because of this, if for no other reason. I quote from a member of the N. R. A. Compliance Division:

“One of the most potent reasons for the failure of the N. R. A. was its ineffectiveness in the fields of administration and enforcement.”

Just what geographical lines of demarcation are to be used to distinguish between sectional differences in standards of living? Think for a moment of the number of variable elements to which these minimums and maximums must be scaled. It would be a herculean job—and think of the taxpayers’ money it would require to finance it.

But more important than administration is the problem of enforcement, for our experience with prohibition showed us that a law which cannot be adequately en-

forced is worse than useless. The Affirmative claims that enforcement would be insured by the courts through complaints. Have the gentlemen forgotten that under the N. R. A. when this was tried, that the employee was placed in a mighty embarrassing position where he often lost his job for filing a complaint. This also would involve a huge inspectorate to check employment records to determine when the average for a certain period has been exceeded. Consequently, we feel, Ladies and Gentlemen, that as the impossibility of adequate administration and enforcement was largely responsible for the failure of the N. I. R. A., the Affirmative must present definite proof that its plan would not undergo a similar fate in this respect.

This is our last chance to defend ourselves. Please bear in mind as you listen to the last affirmative rebuttal the major objections to their plan which we have substantiated by actual evidence. The next speaker has exactly five minutes in which to prove that a real need exists for such a grant of federal power. He has five minutes to prove that the economic theory of his plan will hold water by showing that Congress would legislate for the submarginal worker, that the worker then would be helped, and that it would not have an injurious effect upon the rest of our economic system. He has five minutes to show that his plan would not result in a dangerous centralization of power. He has five minutes in which to show that his proposal could be adequately administered and enforced, even if theoretically true. And, lastly, he has just five minutes to prove that any or all of the alternate plans I have

submitted are not preferable to his own. The Negative rests its case.

Third Affirmative Rebuttal, Frederic Travers Neumann  
Hobart College

Throughout this discussion, the Negative has resorted to theory and what *might* happen rather than to fact and what *is* happening. Although our opponents claim that our plan is economically unsound, we shall depend on tangible and substantiated facts to refute their problematic contentions by proving that the proposal of the Affirmative is economically sound as it will prevent extreme fluctuations in the business cycle and as it has proved beneficial not only in large American industries but also on a nation-wide scale in Australia and New Zealand. During periods of depression and prosperity, wages vacillate and thus, instead of serving as a stabilizing factor, they aggravate the already depressed or inflated conditions. When the employer feels that an industrial lag is approaching, he prepares for the decline in business by cutting the pay of his employees. Consequently, the employees have less with which to purchase the produce of agriculture and of other industries. Because of this interdependence of modern industrialism, stagnation in one industry is reflected in all industries and a slight temporary decline in business develops, *ipso facto*, into a disastrous depression. However, if Congress were to stabilize wages at a living standard, these reliable wages would

tend to offset any slight variation in business and thus prevent extreme depressions.

Higher wages, according to the Standard Statistics Company, will not result in higher prices—which are determined by a multiplicity of factors and not by any single item of cost. At the same time, according to Bernard Kilgore, economist for the Wall Street Journal, high prices will take the curse off industrial boomlets. The soundness of our plan is further proved by Henry Ford for, although his employees enjoy relatively short work periods and high wages, he is still able to sell his products at low prices and realize an enormous profit. Moreover, the progress made in Australia and New Zealand, the land without strikes, emphasizes the fact that maximum hour and minimum wage laws on a nation-wide scale are both effective and beneficial.

Of course our opponents may attempt to overcome this sound argument by contending that, as Australia is agricultural, a plan that will work in that country will not necessarily work in the United States which is an industrial nation. However, we discover that there are eleven million employed in agriculture in the United States and that our rural population is 44 per cent of our total population. Furthermore, the farmer must buy and sell just as does the manufacturer. Farming is a foundation industry and what affects it, affects all industry. Because of this interdependence, the Negative cannot deny that agriculture plays a prominent role in our economic life.

The Negative also contends that the farmer will suffer, as he will have to pay higher prices for the com-

modities which he needs. But, as we have already shown, higher wages, according to the Standard Statistics Company, will not cause higher prices. On the other hand, increased wages will benefit the farmer. As soon as the underpaid worker is given a living wage, he will immediately buy enough to eat—for food is necessary if we intend to survive. When people begin to buy more food, the farmer will be able to sell more of his produce. Here again, the Negative has ignored economic facts.

Likewise, our opponents believe that our plan will lead to unemployment, whereas Dr. Moulton of the Brookings Institution has shown that by decreasing only the excessive hours of exploited workers, we can employ at least six million more men and women. Therefore, as we of the Affirmative have proved that our proposal is superior to all others with respect to sound economics, efficient democracy and social welfare, we feel justified in contending that Congress should be empowered to fix maximum hours and minimum wages for industry.

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# THE POLICIES OF THE C. I. O.

*A Debate with a Questioning Period*



## THE POLICIES OF THE C. I. O. *HAMILTON COLLEGE AFFIRMATIVE VS. CORNELL UNIVERSITY NEGATIVE*

On the evening of March 19, 1937, Hamilton College and Cornell University debating teams met in a non-decision debate on the issues involved in the policies of the Committee for Industrial Organization. It was a very timely discussion as the automobile strikes were on at the time and the debaters used a new form of presentation, holding a questioning period instead of the usual rebuttal speeches to finish the discussion.

This question, a new one to debate, is a little hard to get organized at first because of the tremendous issues involved, and the debate offered here is an excellent introduction to a discussion which is likely to prove of great interest to debaters in the coming months.

The debaters stated the question in the English style: *Resolved, That this House deplores the policies of the Committee for Industrial Organization.*

The speeches were collected by the Directors of Debate at the two institutions, Professor Willard B. Marsh and Francis E. Mineka of Hamilton College and Professor Russell F. Wagner and Mr. Frederick W. Habermann of Cornell University.

First Affirmative, David M. Ellis  
Hamilton College

MR. CHAIRMAN, WORTHY OPPONENTS, LADIES AND GENTLEMEN: We are very happy this evening to welcome our friends from Cornell to our campus. We can assure them that they are more welcome on our campus than the managers of the Chrysler Corporation are in their own plants tonight.

Labor news is attracting national attention today largely because of the prevalence of the sit-down strike. Every paper that we pick up reports newer and bigger sit-down strikes. In Alabama negro caddies are literally lying down on the job; in Pittsburgh sightless men are sitting down. Then there is the case of Tony Dino, a diver, who bargained for better wages from the bottom of Lake Superior. Even love-sick swains are chaining themselves to radiators to compel their sweethearts to say, "Yes." But all these strikes, this labor unrest, are only surface manifestations of mighty underlying changes in American economic and social life.

In June, 1933, the N.I.R.A. blue eagle was hatched. The codes with their minimum wages and hours and the famous Section 7A, guaranteeing collective bargaining, gave a great stimulus to labor organization. The 1934 American Federation of Labor Convention debated and passed a resolution granting industrial charters to automobile, cement, and other mass production industries. But in 1935 bushy-haired John L. Lewis electrified the convention with the charge that the executive council had failed to carry out this program. The convention then gave a vote of confidence to the council.

Mr. Lewis and a few friends decided to set up a committee to study the situation. On November 9, 1935, the Committee for Industrial Organization was born, christened, and officered. Yet this remarkable committee, of which Mr. Lewis is the chairman, has no charter, no constitution, no by-laws; it is merely a

committee of the presidents of eleven autonomous unions. Its avowed aim is to organize the steel, rubber, and automobile industries.

The executive council of the American Federation of Labor saw this lusty youngster defying the democratic machinery of the convention and its duly elected officers. It had one weapon to use—trial and suspension. As the editors of *Fortune* say, “It was for this reason and not because the Committee for Industrial Organization believed in industrial unionism that the thirteen men of the executive council” suspended the Committee for Industrial Organization unions. The Affirmative tonight wishes to state at this time that we are not necessarily opposed to industrial unions nor are we necessarily in favor of craft unions or any other union form. We believe that there is room in American labor for both types of unions. We do not believe that there is room for an undemocratic organization pursuing policies and practices similar to those of the Committee for Industrial Organization.

I shall attempt to show that the policies and practices of the Committee for Industrial Organization are detrimental to the general public. My colleague will show that its policies and practices are detrimental to labor.

First of all, we deplore the Committee for Industrial Organization because of its use of the sit-down strike. Tonight at this very moment 7,000 men are occupying the Chrysler plants. In this form of industrial blackmail, men in key positions and key plants remain inside but do no work. Production ceases; paralysis

creeps through the giant automotive industry throwing thousands of men, anxious to work, into the streets and on to the relief rolls. The General Motors management, remembering the election returns, hesitates to expel the sit-downers privately for fear of hostile public opinion and also for fear of sabotage of delicate machinery. Meanwhile, John L. Lewis holds the seized plants for ransom; for the ransom price of sole bargaining power for all the workers, he will return the kidnapped plants. This, my friends, is out and out extortion—a brazen attack on private property. If this is legal, then the owners of any corporation, and in the case of General Motors, the 400,000 stockholders are deprived of the use of their property, and the loyal workers and, in this case, the overwhelming majority of employees, are deprived of their right to work.

These attacks by the Committee for Industrial Organization on private property involve grave dangers to our democracy. Our constitutional form of government was founded to protect individual rights from governmental encroachment and private violence. Let us see how the Committee for Industrial Organization is respecting our courts, the watch-dogs of these fundamental rights. Today the strikers are defying the court order to vacate the plants. On February 1, General Motors counsel sought an injunction to oust the sit-downers. During the very hours application was argued before the court, Mr. Lewis, far from showing respect for the court, actually enlarged the strike area. The Committee for Industrial Organization kept possession of the two buildings they had held

for four weeks, and then seized a third building. The court handed down the decision. It ordered the union out. The Sheriff read the order to the sit-downers. The strikers promptly booed the Sheriff; and their leader sent a telegram to Governor Murphy, "We have decided to stay in the plant."

In Detroit, at this very moment, there is the deliberate substitution of private license for public law, the enthronement of Might-Makes-Right. Once property, which is a great human right—for 18,000,000 people own stock in American corporations, millions more have savings accounts, homes, farms, and insurance policies—once property can be blackmailed and the courts mocked, then are all our other rights in peril and the Constitution itself becomes a scrap of paper. Violence, anarchy, bloodshed—they are the only logical results. Jobless workers will battle sit-downers as they have done in Ontario; property owners will take the law into their own hands and fight back as they did in Italy in 1920 when the workers seized the factories and tried to operate them. The Fascists, thereupon, smashed the unions, straight-jacketed labor, and denied all civil and individual rights.

The ultimate goal of the Committee for Industrial Organization seems to us to be the establishment of a Labor Dictatorship. Today King Llewelyn runs his well-oiled union machine like an Oriental despot. The Committee for Industrial Organization itself is not the democratic and deliberate decision of the workers in these eleven unions, but the mushroom creation of ambitious labor leaders. The Committee for Industrial

Organization cabal with its highly centralized authority is today waging guerilla war on key sectors of American industry and on American recovery, not with the aim so much of winning better pay and shorter hours, but of securing a strangle-hold on American labor. To get this strangle-hold, that great exponent of industrial democracy, Mr. Lewis, has been willing to violate all legal rules and to coerce a majority of the workers by a minority. Completely ignoring the fact that the General Motors strike was costing the public \$1,000,-000 a day in lost purchasing power, Mr. Lewis held out stubbornly for exclusive bargaining power (control over all the workers) despite the fact that his union did not even claim a majority, only to capitulate at the end of six weeks to substantially the same terms that Mr. Sloan was willing to grant at the end of the first week.

Moreover, we have seen how King Llewelyn has railroaded several Coal Acts, such as the Guffey Coal Act through Congress. We see his ally, the American Textile Union, sponsoring the Ellenbogen Bill to set up a rigid textile code. Leo Wolman, professor of Economics at Columbia University and Chairman of the 1934 Automobile Labor Board, writes, "Their success must inevitably pave the way for the progressive cartelization or monopolization of industry and for the public regulation of wages, prices, and output in a large business area now dominated by competitive business." Such an industrial set-up, such regimentation, outlawed by the Supreme Court in the N.R.A. and Guffey cases, is essentially the goal of syndicalism and the Fascist organization of industry. It means the

end of free enterprise as we know it today in America. Thus we see that the success of the Committee for Industrial Organization will drastically revolutionize our system of free enterprise.

Therefore, since the Committee for Industrial Organization has attacked private property by the sit-down, and since it has ignored the findings of the courts and is thus attacking our democratic structure, and since the ultimate goals of the Committee for Industrial Organization point the way to a labor dictatorship over American industry, therefore let us resolve: This House deplores the policies of the Committee for Industrial Organization.

First Negative, Stanley R. Katz  
Cornell University

MR. CHAIRMAN, LADIES AND GENTLEMEN: In speaking of light opera, one's attention is immediately focused upon Gilbert and Sullivan and yet one would never attempt to divorce the two and discuss William Gilbert and Arthur Sullivan separately. When followers of old time vaudeville reunite, their thoughts always turn to Gallagher and Shean, but hardly ever does one think of these entertainers as two individuals. Or if we turn to the field of radio entertainment we instantly call to mind the team of Burns and Allen. And yet we would hesitate to discuss separately as man and woman George Burns or Gracie Allen. When two such people become so closely allied that the mere mention of one name calls for the other, we think of them

as an indivisible team. Individually they are, in the public's eye, nonentities; but together they constitute an excellently organized and co-ordinated combination acting as a unit.

Thus we come to the case of industrial unions. When one but breathes those words, our thoughts jump to the Committee for Industrial Organization, John L. Lewis's C.I.O. The two—industrial unions and the Committee for Industrial Organization—are, to all intents and purposes, synonymous. They cannot be torn apart and discussed individually. We must deal with reality, not with fantasy. As long as the Committee for Industrial Organization rides upon a crest of popular support, the cause of industrial unionization will be something real and living. But should John L. Lewis and the Committee for Industrial Organization receive a set-back, their plans and dreams for uniting industry along the modern and efficacious idea of industrial unionization, would also receive a set-back and be forced to retrogress.

The Affirmative has hinted that, although it favors industrial unionization, it does not favor the Committee for Industrial Organization. We of the Negative say that this is irrational thinking. Industrial unionization is embodied in the Committee for Industrial Organization! We say that the two are one; and just as you cannot break up Burns and Allen or Gallagher and Shean, so the Committee for Industrial Organization and industrial unionization are indivisible.

In a battle to uphold the traditions of American democracy, the Committee for Industrial Organization,

under the guiding hand of John L. Lewis, has gone to the fore on behalf of American labor. Rather than allow organized labor, if it may be called organized under the American Federation of Labor, lose what little it has gained for the past seventy years, the Committee for Industrial Organization has taken hold of the reins and is pushing forward its plans for unionizing the forty million workers of this country. Every act of the Committee for Industrial Organization stands for the improvement of the working class, not through the antiquated methods of the American Federation of Labor's craft unions but through the advanced and new ideas of industrial unionization. The Committee for Industrial Organization seeks primarily above all else to increase the bargaining power of the American worker. To increase this bargaining power, it desires to unite the forty million American workers into industrial unions.

By definition, a labor union exists for the primary purpose of acting as a co-operative bargaining agency—an organization which is conducted for the advantage of its individual members. Acting as a business organization quite in line with those of capital today, it seeks to promote its interests by collective bargaining with its employers, compelling them, if necessary, through sheer economic pressure to recognize its rights in determining conditions under which its members are engaged in work. The "sheer economic pressure" by which labor attempts to force its demands upon capital is, of course, the strike. Today, the country is faced by a number of so-called "sit-down strikes," an

importation from France. The Affirmative has seen fit to condemn the sit-down strike as "anarchy," as a "step towards Fascism," or as the forewarner of some other dire event. We of the Negative, though, do not feel that the matter is that serious. The sit-down strike is but the means to an end. It is taken as the most practical method by which labor can feasibly gain its objectives. Upon that basis we condone the sit-down strike. It is not something tyrannical but bears the essence of democracy fighting for its life. If through the sit-down strike forty million workers can be united into industrial unions, then we say the sit-down strike is a reasonable way to achieve this goal.

In preference to having the picket line we prefer the method adopted by the Committee for Industrial Organization while workers are engaged in strikes. We are all acquainted with the old method of picketing, with its lines broken up by scabs and hired hoodlums of the Bergoff and Rand caliber. Do we prefer bloodshed and destruction of property to the quiet and pacified occupation of factories? To say that the sit-down strike is the violation of property rights is not carrying the story to its rightful conclusion. Is not the right to work, the right to earn a decent wage, and to be employed under favorable conditions an inalienable right of the laborer? Just as much as capital owns the factory, we contend that the worker owns his particular job. It is his duty to protect this job by whatever practical means he finds available.

Every individual has a different interpretation of the word "democracy." But, generally speaking, we

say that a democracy is a representative governing body expressing the majority opinion of the people. American labor has never been a true democracy. For under the craft system the unskilled and semi-skilled workers, along with the Negro workers, were excluded from unions. But the Committee for Industrial Organization aims to include in its organization all workers, irrespective of color or job. And yet the Affirmative calls this an undemocratic system. We cannot conceive how any system which gives equal representation to all interested parties can be called undemocratic. The Committee for Industrial Organization, it is true, at times has been forced to act with a minority representation, but that has not been for long. By stirring up the lethargic workers and those suffering from intimidation and fear, the Committee for Industrial Organization aims to organize them into a militant body ready to fight for their rights. The Committee for Industrial Organization is not a stepping stone to Fascism but rather it is the answer to the dictators of Europe and the would-be dictators of America. As long as labor remains powerfully organized, as long as forty million men and women stand shoulder to shoulder, neither a Hitler nor a Mussolini will ever gain a foothold in America.

The Affirmative has hinted that there should be allowed two types of unions in industry, craft and industrial, if the workers so choose. This would once again stir up the old question of the rights of jurisdiction of each union. Quoting from William L. Green, president of the American Federation of Labor, we note

that: "The organization of men by industry rather than by crafts brings about a more perfect organization, closer co-operation, and tends to develop the highest form of organization. The causes of jurisdictional disputes are considerably decreased and in many industries can be eliminated altogether. The constant friction resulting from craft organizations in their contention for jurisdiction causes the labor movement more trouble and greater inconvenience than any other problem with which it has to deal." It is obvious that back in 1917 Mr. Green, who has seemingly turned the clock backwards, sensed the troubled situation facing American labor unions each and every day. Time after time these jurisdictional disputes have wreaked havoc with organized labor. Certainly now is not the time to have two different types of unions in industry. The entire problem is so well expressed by Mr. Green that we hesitate to continue further. Obviously the Affirmative, believing as they do in unions for the American worker, does not desire to split up his power any more than it is.

In conclusion, we may say that we foresee upon the horizon a new era for the American laborer under the leadership of the Committee for Industrial Organization and industrial unions. Secure in his position, being paid adequate wages, and working but a reasonable number of hours, he and his co-workers will join hands with capital in mutual endeavor to bring prosperity and happiness to the people of their country.

Second Affirmative, Charles A. Hoffman  
Hamilton College

MR. CHAIRMAN, LADIES AND GENTLEMEN: The Affirmative wishes to point out in tonight's discussion that in no way can the Committee for Industrial Organization be construed as the only workers' organization in this country which is interested in, and seeks to establish, the industrial type of union. The American Federation of Labor has long been willing to establish industrial unions in those fields best fitted for this type of unionism. The United Mine Workers Union, headed by John L. Lewis, is an industrial union which received its charter from the American Federation of Labor, and which was for many years an outstanding member of the Federation. The United Automobile Workers, the union which the Committee for Industrial Organization is now attempting to build up, was chartered by the American Federation of Labor. Many other industrial unions belong to the American Federation of Labor. We thus see that, if the Committee for Industrial Organization was interested in building industrial unionism, it need not have looked any further than the American Federation of Labor. The claim made by the first speaker of the Negative that the Committee for Industrial Organization is the only organization fostering industrial unionism, and that on this ground it is justifiable, is not founded on the actual facts of the situation.

I should like to point out this evening the disadvantages which the policies and practices of the Committee

for Industrial Organization have for the workers. At the outset the Affirmative stresses the point that by "workers" we mean not only the organized, but also the vast majority of unorganized workers.

The tactics which the Committee for Industrial Organization has pursued and is pursuing in the automobile industry are excellent examples of the type of procedure which is a menace to the organized labor movement and to the position of unorganized labor throughout the country.

In General Motors, the United Automobile Workers, completely disregarding the rights of the majority of workers, and not availing itself whatever of the procedure set up by the Wagner Labor Act for settling industrial disputes, struck for sole bargaining rights for all of General Motors employees.

After great loss in wages, and after burdening with hardships a majority of workers who were in no way interested in the Committee for Industrial Organization, a settlement was agreed to by the auto workers union. This settlement recognized the United Automobile Workers Union as bargaining agency for its own members only. This was a provision which could have been gained without striking; a right given to the American Federation of Labor in 1934; a provision refused by the union when the strike was only a week old. Such tactics do not indicate sound leadership. Nor are they conducive to promoting public confidence in organized labor. And such tactics will certainly not gain the support of unorganized labor.

The Chrysler strike is another example of the Com-

mittee for Industrial Organization's blundering. Chrysler has bargained collectively with the United Automobile Workers Union since its organization in 1934. They are still willing to discuss with the union matters affecting their own members. But the United Automobile Workers Union wants *sole bargaining* rights.

Negotiations with Chrysler were going along peacefully prior to the strike when Homer Martin, organizer for the Committee for Industrial Organization, broke off negotiations and demanded that the United Auto Workers Union be recognized as sole bargaining agency for Chrysler employees. The Union has continually appeared most reluctant to proceed along peaceful lines. In General Motors a number of sit-down strikes occurred after the United Automobile Workers had signed an agreement with the management. The whole situation might be summed up in this quotation of C. E. Wilson, General Motors Vice-President: "There are still several things to iron out. We don't like these eighteen sit-down strikes we have had in twenty days. We already have an agreement of February 11, and if the Union doesn't live up to that one, will it live up to another?" Here we are confronted with the situation of a union not able even to keep its own contracts! Such practices cannot help the labor movement.

Through all these disturbances the Committee for Industrial Organization has been demanding rights for its members, completely disregarding the rights of non-members. Perhaps non-members have no rights; perhaps members of other unions have no rights.

Yet, what would be the Committee for Industrial Organization's reaction if non-members sought to enforce their rights in the same manner that the Committee for Industrial Organization has? Would John L. Lewis look with equanimity on a sit-down strike by a few skilled workers who would demand sole bargaining rights for their organization?

The policies and practices of the Committee for Industrial Organization have even more far reaching results for the labor movement and workers in general. The antics of the Committee for Industrial Organization have antagonized public opinion against all labor, and have induced efforts which can have harmful effects on labor. In New York State, Assemblyman Wadsworth has introduced a bill following, as he says, the general outlines of the British Trades Relations Act of 1927, a bill that almost strangled labor freedom in England, a bill strenuously opposed by English labor. This bill, like bills introduced in so many other states, not only prohibits sit-downs, but contains provisions which in the hands of enemies of labor, can be so construed as to strangle organized labor, and stifle any attempts of workers to bargain on equal terms with capital. And this results from the inability, or lack of desire, of a labor organization to proceed by peaceful and legal means.

The Affirmative cannot but question the motives of the Committee for Industrial Organization in its efforts to organize workers. Is the Committee for Industrial Organization seeking to establish a dictatorship of all labor? Is it seeking to harvest the rich plum

of millions of dollars in dues which a vast organization of workers would insure? Surely its aims for sole bargaining rights and a closed shop seem to indicate this. What reason have they for seeking to organize the auto workers? The automobile industry pays wages far above the average wage for workers in this country. Certainly, demands for higher wages are not logical, especially when other Committee for Industrial Organization union members are receiving lower wages than the auto workers. In the steel industry, where the Committee for Industrial Organization is attempting to organize, the question of hours and wages and working conditions is already being provided for by government legislation under the Walsh-Healy Act.

Before concluding, I should like to draw attention to the political activities of the Committee for Industrial Organization. In the last election the Committee for Industrial Organization threw its entire support to one political party. Such a policy can only mean retaliation against labor, when labor's party is not elected to office. Furthermore, the Committee for Industrial Organization is sponsoring at the present time a labor party, looking forward to the presidential year in 1940. An independent labor party will not only meet the fate which all third parties have met in this country, but it will deprive labor of its power to bargain for advantages in the political field, and also invite retaliation from other parties.

The Affirmative has pointed out this evening that the policies and practices of the Committee for Industrial Organization are contrary to fundamental

American principles; that they are not only detrimental to the public welfare, and to labor in general, but are actually harmful. We of the Affirmative feel that American labor can and will adopt policies and practices which are in conformity with American principles and will promote the welfare of all labor. We do not feel that the Committee for Industrial Organization's present methods can be approved.

Second Negative, Harry Scott  
Cornell University

MR. CHAIRMAN AND FRIENDS: The Gentlemen of the Affirmative, in deplored the policies of the Committee for Industrial Organization, have raised the cry of labor monopoly, dictatorship, civil war, and even of fascism. They have centered their attack upon the sit-down strike, calling it violent and lawless and un-American; in doing so they have confessed their inability to realize that we are now living in the twentieth century, that this is the year 1937. They have forgotten to comment upon those reasons for which the Committee for Industrial Organization exists. They have overlooked the ever-shifting conceptions of property rights, of the just position of labor unionism, of labor's legal right to collective bargaining. Sifting out the kernel of contention, we find that they deplore the policies of the Committee for Industrial Organization because they don't like the sit-down strike.

William Green, president of the American Federation of Labor, made a statement in 1914 that he would un-

doubtedly hesitate to make today: "When men are organized by industry they can concentrate their economic power more advantageously than when organized into craft unions." Precisely what, then, are we discussing? Apparently the Affirmative is not considering whether or not labor has a just cause for confronting the power of capital by unionization. Apparently we are not discussing the respective merits of craft unions and industrial unions. Quite to the contrary, the Affirmative has stated that industrial unionism is effective. They just don't like the Committee for Industrial Organization! I would like to point out that in the present year the Committee for Industrial Organization *is* industrial unionism. Where the American Federation of Labor has failed, the Committee for Industrial Organization is becoming the realization of the collective power for which unionism exists.

What does the Committee for Industrial Organization have to offer? It seeks the improvement of working and living standards for the masses by the development of industrial unions coterminous with industry in extent of organization and co-equal in economic power with management. Through political organization it seeks to effect the social, economic, and humanitarian reforms which are traditionally and indissolubly associated with the ideals and aspirations of our self-governing republic. It seeks to organize the workers in industries untouched by the American Federation of Labor. It hopes to wean the Negro from the ranks of the scabs into which he has been driven by the discriminations of the American Federation of Labor. The

Committee for Industrial Organization recognizes workers because they are human beings tossed and buffeted in a shifting market, rather than because they qualify for a narrowly defined craft union. Through these aims, and by means of vertical method of organization, the Committee for Industrial Organization attempts to establish genuine collective bargaining for its workers. The Affirmative has failed to consider these aims and those forces against which the Committee for Industrial Organization must struggle.

We have defined a labor union as "a more or less permanent combination of labor, seeking to safeguard and if possible to advance the interests of its members through collective bargaining." Collective bargaining is that relation between industrial management and its employees in which the economic power of management is balanced by numerical power of the laborers. We are living in an era of organization. Ninety per cent of all manufacturing establishments are corporations. Ninety-four per cent of those corporations are organized, not only internally, but with other establishments of their kind, either in holding-company pyramids or in some form of trade association. The American Federation of Labor, the potentially powerful organization of labor that sought to balance the power of management with that of the workers, has succeeded in organizing three million of the forty million workers in the United States. But still the Affirmative fears that the Committee for Industrial Organization will organize sufficient numbers to establish a labor dictatorship. The Committee for Industrial Organization, functioning

under the philosophy that the worker has a personal property interest in his job and that he must have collective strength to maintain his maximum productivity and profit from that job, is seeking a balance with the vast array of economic power of management.

It is especially in the United States that employers have resented and refused dealings with unions. Chairman Wier, of the Wierton Steel Company, in refusing compliance with N.R.A.'s Section 7-A, professed utmost good faith with his own employees, but not with "the paid organizers of national unions." That managements have feared and resented such coherent organization among their workers is evinced by their hierarchy of company unions, yellow-dog contracts, black-lists, and industrial spies. Throughout the history of labor organization, the laborer has found the cards stacked against him. The Supreme Court determined that his organization could be sued for conspiracy in restraint of trade, for hindrance to the processes of interstate commerce, for circumscribing the liberties of the individual, and finally for criminal syndicalism. Experience has made the worker distrustful of his employer and of the courts, and being without protection from spies and enemies at the scene of his work, he turns to the union which guarantees numerical force in collective bargaining. So with the failure of the American Federation of Labor to secure collective bargaining and to safeguard his rights, the worker has turned to John L. Lewis and his Committee for Industrial Organization.

Dr. G. E. G. Catlin wrote that the ordinary trade

agreement has been a mere gentlemen's agreement, too often broken by the employer. "The real contract comes into existence when each individual workman hires out to the employer, presumably upon terms identical with or similar to those stated in the agreement between the employer and the union." It is this inequality of bargaining right which the Committee for Industrial Organization is stamping out. Under democratic bargaining, an employer must recognize the existence of a union and its right to be heard through its democratically elected officers. This does *not* imply a closed shop. It does *not* mean surrender of management in business conduct. It *does* mean willingness for consultation, for give and take, for common co-operation, for effort toward a satisfactory working agreement.

Just about a year ago I sat in the blistering sun of Death Valley with that picturesque old desert rat, Death Valley Scotty. In a unique brand of profanity which I shall translate, he said to me: "When you have to live by a rifle, you learn three fundamental principles. Shoot first for distance, again for direction, and by God make the third one hit the mark." The Committee for Industrial Organization has tested its distance, its direction, and it is now ready to drive home its bargains. John L. Lewis and Chairman Fairless of the Carnegie-Illinois Steel Company arrived at an equitable agreement, calmly, over a conference table. That is Committee for Industrial Organization effectiveness.

Let us not confuse our issue. Let us keep in mind

those economic, social, and political inequalities which unionism, in the abstract, is formulated to alleviate. Those who take a stand against industrial unionism as against craft organization become involved in mere academic quibbling. Those who deny the necessity of labor organization take a stand, not against the policies of the Committee for Industrial Organization, but against humanity. We of the Negative do not deplore the policies of the Committee for Industrial Organization. We glory in its effectiveness, its sincere efforts to secure collective bargaining for its workers, its democratic appeal and scope. Rather than deplored its policies, we assert that the Committee for Industrial Organization is opening vistas of freedom and equality, and that it is securing, and will secure further, those fundamental principles of equality and justice which are written into the ideals of our nation.

### Negative Questioning

**KATZ:** The Affirmative has said that industrial unionism has its definite place in labor's struggle for collective bargaining but that it cannot be the sole force. Does the Affirmative believe that the aims of unionism, which neither of us deplores, can be realized by splitting the forces of labor?

**HOFFMAN:** We have not spoken about split allegiance and we have not advocated more than one labor union in one plant; but even if there were split allegiance, it would not be necessarily undesirable. The four brotherhoods of the railroad workers, although

each is a separate entity, co-operate satisfactorily with one another.

SCOTT: The aim, then, of labor unionism is to balance the economic power of management with numerical power of the workers, and also to secure harmony and co-operation among the workers. Nothing has been said deplored the purposes of the Committee for Industrial Organization. While admitting that the aims are just, can you deplore the means which are attaining the goal?

HOFFMAN: As I pointed out in my advance speech, such methods can only mean disaster to labor in the future.

ELLIS: I also pointed out in my advance speech the attack of the Committee for Industrial Organization upon our court system and upon the entire structure of constitutional government. We believe that the ultimate aims can be achieved through legal strikes.

SCOTT: Based upon your apparent assumption that the ends of labor organization must be realized through strikes, can you prefer the "legal" strike, with its picket lines, militia camps, and street fighting, to the sit-downs which we have witnessed this winter?

ELLIS: Violence in the legal strike is usually the exception.

HOFFMAN: Sit-downs themselves are violence. They are a defiance of law and order. Moreover, the same methods used to quell what you call the legal strike are used in even greater scale in the sit-down strikes. Witness the violence used in ousting the sit-downers in the Fansteel strike.

KATZ: But we are discussing the advisability of employing the sit-down method, not of how the strikers shall be dealt with. Governor Murphy has done laudable work in maintaining order. Is Governor Murphy criminal in not enforcing injunctions ordering the evacuation of the plants? Do you condemn him for keeping peace?

HOFFMAN: He is not criminal, but derelict in his duty; and he could have pursued peaceful methods much more easily if the strike had not been a sit-down. Governor Murphy has sought from the start to avoid bloodshed, in spite of the sit-down.

SCOTT: You mentioned the dangers of labor's entry into the political field. Although the term "workers" involves forty million people, nearly one-third of the total population, do you deplore the right of labor to be heard through political means?

ELLIS: We believe that Gompers formulated the best policy for labor to follow, that of punishing the foes of labor and of rewarding the friends. Labor will gain more by throwing its weight to its friends than in organizing its own party, which will provoke retaliation by the other parties.

SCOTT: Do you sincerely deplore the Committee for Industrial Organization's attainments through industrial unionism more than the great power that the hierarchy of management has gained through organization of its forces?

HOFFMAN: There is no comparison here—in neither case do the workers receive the advantage.

### Affirmative Questioning

ELLIS: In the light of your defense of the moral rights of the working class, do you believe that the plants belong to the strikers or to the owners?

SCOTT: A man in accepting a job is undertaking a common responsibility. As a worker he has the right to use that job to maintain certain of these moral and fundamental privileges which belong to him in his rôle as a human being. A job is a worker's possession by the dint of his efforts put into it, by the sweat of his brow, all of which go to make the piece of work something undeniably his.

ELLIS: Assuming for a moment that a worker has a property right in a job (but let us not forget for an instant that great human right of possessing property), did not the majority of the General Motor's workers have the moral right to work?

SCOTT: Unfortunately the majority of the workers never had an opportunity to express their attitude towards a union or a strike. Intimidation and the dreaded fear of a blacklist closed their mouths. They never dared to express an opinion pro or con. It has almost always been the case that labor unions have been in the hands of a militant and courageous minority, not the great mass of the majority of workers who may back a labor union, yet fear the consequent actions of company officials.

ELLIS: But the Supreme Court has said, "That property is the arch upon which our civilization rests." You cannot divorce property rights from human rights,

and you cannot attack the one without endangering the other. You implied that a minority with the right objectives should have the privilege of dictating to a majority. Do you favor the rule of self-appointed minorities?

SCOTT: We believe in democracy and in majority rule, yet we cannot disbelieve the broad and humanitarian policies of the Committee for Industrial Organization.

ELLIS: In other words you admit that the Committee for Industrial Organization has followed some undemocratic practices?

SCOTT: Yes, but it is reaching a democratic rule for the majority of the workers. It is a logical culmination of its efforts, for in the end, labor will benefit by the fruits of victory.

HOFFMAN: What is the reason for the Chrysler strike? Chrysler has bargained with his workers since 1934 through the United Automobile Workers, then an American Federation of Labor craft union. Now this union insists on sole bargaining power for all the workers.

KATZ: The Committee for Industrial Organization has followed the proverbial habit of hitching its wagon to a star. Obviously both sides are shooting for marks higher than they expect to reach, and eventually they will compromise upon terms satisfactory to both interests.

HOFFMAN: In spite of this privilege and right the union had won, do you feel that the Committee for Industrial Organization was justified in resorting to

violence to get something it really did not expect to win?

KATZ: Again I repeat that *both* sides were obviously holding out for higher stakes than they hoped to get. From a practical point of view it may be assumed that the Committee for Industrial Organization could not hope to gain all that it demanded, yet it goes without saying that they were asking for something which we believe eventually will be granted to them. Perhaps they are opportunists—over-opportunists—and have struck at too early a moment, yet the fact remains that they are justified in their arguments.

HOFFMAN: That is a personal assumption, I presume?

KATZ: Necessarily it is. In the practical every day business life—the business life of great corporations—we note a continual policy of compromising. Perhaps this is most predominant in the baseball firmament. Dizzy Dean publicly announces that he will hold out for \$50,000 and the Cardinal management calmly offers him but \$20,000.

ELLIS: Does Dizzy Dean hold a revolver to Mr. Rickey's head and prevent him from using his ball park and hiring other players?

KATZ: Figuratively he does. By refusing to play for the Cardinal management unless his demands are acceded to, Dean entails a financial loss in gate receipts, lessens the chances of the team winning games, and breaks up the morale of the organization.

ELLIS: Do our opponents approve the policy of the

Committee for Industrial Organization of defying three court orders?

SCOTT: The Committee for Industrial Organization was embarking on a precarious course. It was faced with the question of moral right against that of legal right. It faced the question of whether the common welfare of millions should be subjected to the orders of men now passed into the great beyond. There is a point when the law must bend—for all law must be elastic. This was a moment, we believe, when the welfare of the majority called for a rejection of the laws established by men who never could foresee the chaotic affairs of industrialized governments.

#### Alternating Questions

SCOTT: Does not the worker have a property right in his job, and through that right, to use the implements involved to secure better status in working and living conditions?

ELLIS: Not according to the present law. However, the Wagner Labor Act does guarantee to labor the right to bargain collectively; and if the workers secure a majority of the workers in the plant, then that union can bargain for all. In that way labor can exert a pressure which would practically give them control of their jobs.

HOFFMAN: Does the Committee for Industrial Organization have the right to act for all the workers when it has only a minority?

SCOTT: The recent strikes have been Committee for

Industrial Organization strikes. The leaders have been shooting high, realizing that many resistances would make their shots fall short of the target. They are now satisfied with the concession by steel to representation of their members only. They are redoubling their efforts to secure democratic majorities.

ELLIS: The Negative mentioned "Sorel" a while back. Sorel also despised democracy and believed that an intellectual elite must lead the workers through the general strikes into the syndicalist state. His pupil, Mussolini, at one time called sit-downs "creative." But must not the law be changed by democratic means and not by self-appointed groups?

SCOTT: What are democratic means? Democracy must be free; it must be free to meet the problems of the present, in the methods of the present. We have circumscribed the rights of the many that we overthrew the few to establish. But our concepts do change. The past year has added many new thoughts and has added many new words to our vocabularies. Again, what do we mean by democratic procedure? Certainly no procedure which defies the will of the people is democratic; and many necessities, which the writers of our laws could not have foreseen, must be brought within the realm of law, by the people, now. What was illegal yesterday is often sanctioned today because of ever-shifting concepts of such terms as "property rights," "labor unionism," and "democratic procedure." If the Committee for Industrial Organization is opening the way for democratic bargaining for the workers with employers, if it is securing industrial democracy, if it is

attaining the ends for which unionism, in the abstract, exists to fight, then the Committee for Industrial Organization, its purposes, and its methods, are democratic.

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Note—Several of the newspaper columnists such as David Lawrence, Walter Lippmann, Dorothy Thompson, and Jay Franklin have noticed the C. I. O. issue repeatedly in their daily articles which are syndicated and enjoy a wide daily circulation. These should prove very useful.



## APPENDICES



## APPENDIX I

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